

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF THE APPLICATION FOR
APPROVAL OF ACQUISITION OF CONTROL
OF SOUTHERN PIONEER LIFE INSURANCE
COMPANY, CAPITOL LIFE AND ACCIDENT
INSURANCE COMPANY, OUACHITA LIFE
INSURANCE COMPANY, AND UNION LIFE
INSURANCE COMPANY BY AMERICAN
MODERN LIFE INSURANCE COMPANY

A.I.D ORDER # 2006- 032

ORDER

On Wednesday, June 28, 2006, at 1:00 p.m., in the Hearing Room of the Arkansas Insurance Department (the "Department"), in accordance with the provisions of Ark. Code Ann. §§ 23-61-109, 23-61-303, 23-63-510, Department Rule 15, and other pertinent provisions of the Arkansas Insurance Code, a Public Hearing was held pursuant to a Form A Application filed on or after May 25, 2006, by American Modern Life Insurance Company ("American Modern"), NAIC # 65811, seeking approval of the acquisition of control of Southern Pioneer Life Insurance Company, NAIC # 74365, Capitol Life & Accident Insurance Company, NAIC # 90840, Ouachita Life Insurance Company, NAIC # 88820, and Union Life Insurance Company, NAIC # 83909 collectively (the "Arkansas Insurers"), as detailed in the Form A Application, dated May 25, 2006, and received by the Department on the same day, the exhibits thereto, and the supplemental filings in relation thereto (hereinafter, collectively, "Form A"). American Modern requests approval under Ark. Code Ann. § 23-69-134(c)(1)(Supp. 2005) to maintain the books and records of the Arkansas Insurers, post-acquisition, in Amelia, Ohio - the location of the books and records of American Modern and its insurer

affiliates; however, the statutory home offices of the Arkansas Insurers will continue to be located in Arkansas. American Modern also requests approval under Ark. Code Ann. § 23-69-134(c)(1)(Supp. 2005) to maintain certain investments of the Arkansas Insurers in stocks and bonds, post-acquisition, in Cincinnati, Ohio.

The Hearing Officer was the Honorable Julie Benafield Bowman, Commissioner of the Arkansas Insurance Department. The Department was represented by Ms. Jean Langford, Chief Counsel – Legal Division, and Mr. Leo Liu, CPA, Manager of Financial Analysis, Finance Division for Financial Regulation. Representing the Arkansas Insurers and Hyneman Investments Limited Partnership were Mr. Benjamin R. Hyneman, Mr. Hal F. Hyneman, and Mr. Allan W. Horne of Dover Dixon Horne, PLLC, as the Arkansas Insurers' Counsel. Representing American Modern were Mr. James P. Tierney, Senior Vice President of American Modern, and Mr. Derrick W. Smith and Mr. T. Ark Monroe, III of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. as American Modern's Counsel. Mr. Tierney, Mr. Benjamin R. Hyneman, and Mr. Liu testified at the hearing. The hearing record closed on Thursday, June 29, 2005, at 4:00 p.m., near close of business at the Department.

FINDINGS OF FACT

From the Form A testimony of witnesses and other evidence produced at the hearing (including exhibits filed in connection therewith, reports, correspondence, financial information, business plans, and the statements on file with the Department, representations of counsel, and other matters considered) the Commissioner finds that:

1. The Arkansas Insurers are Arkansas-domiciled life and health insurers. Capitol Life Insurance Company, Ouachita Life Insurance Company, and Union Life

Insurance Company are all wholly-owned direct subsidiaries of Southern Pioneer Life Insurance Company. Southern Pioneer Life Insurance Company is a wholly-owned direct subsidiary of SPL Holding Company, an Arkansas Corporation. SPL Holding Company is a wholly-owned direct subsidiary of Hyneman Investments Limited Partnership, an Arkansas limited partnership.

2. American Modern is an Ohio-domiciled life and health insurance company which has been engaged in writing credit life, and credit accident and health insurance, on mobile home, automobile, and home equity loans since 1957.

3. The testimony presented by Mr. Tierney at the hearing, and the biographical affidavits filed as part of the Form A, indicate that each of the proposed directors and officers of the Arkansas Insurers, as well as other individuals associated with the subsidiaries of American Modern, have prior extensive experience in the insurance industry, including experience in management of insurance companies.

4. Mr. Tierney testified that American Modern will acquire control of the Arkansas Insurers through a Stock Purchase Agreement, dated May 1, 2006, between American Modern and Hyneman Investments Limited Partnership, Hyneman Enterprises, Inc., Benjamin R. Hyneman, and Hal F. Hyneman (“Stock Purchase Agreement”). The stages of the acquisition relevant to the Stock Purchase Agreement are described as follows:

(a) American Modern will acquire control of the Arkansas Insurers by acquiring all of the issued and outstanding shares of common capital stock of SPL Holding Company from its parent, Hyneman Investments Limited Partnership. SPL Holding Company, owns all of the issued and outstanding shares of stock of Southern

Pioneer Life Insurance Company, which in turn owns all of the issued and outstanding shares of Capitol Life Insurance Company, Ouachita Life Insurance Company, and Union Life Insurance Company.

(b) The acquisition will be effected pursuant to the terms specified in the Stock Purchase Agreement whereby American Modern will pay to Hyneman Investments Limited Partnership, the agreed sum of \$17,000,000.

(c) The source and nature of the consideration for purchase of the Arkansas Insurers consists of cash held by American Modern.

5. Mr. Tierney testified that, based on an analysis of the statutory financial projects prepared on behalf of American Modern concerning the acquisition of the Arkansas Insurers and filed in conjunction with the Form A, each of the Arkansas Insurers, upon consummation of this transaction, will have sufficient levels of capital and surplus to support its business. Based on the testimony of Mr. Tierney, and business plans and projections and other information filed by American Modern in conjunction with the Form A:

(a) American Modern does not plan on making substantial changes post-acquisition to the operations of the Arkansas Insurers, except for those identified herein or in the Form A;

(b) The proposed directors and officers of the Arkansas Insurers will be as follows:

1. Directors:

John W. Hayden

Joseph P. Hayden, III

Paul F. Gelter

John I. Von Lehman

Paul Brizzolara;

2. Executive Officers:

John W. Hayden, Chairman of the Board/CEO/President

W. Todd Gray Senior Vice President/Treasurer

James P. Tierney Senior Vice President

John I. Von Lehman Senior Vice President

Michael Flowers Vice President and Secretary ;

3. Other Officers:

D. Eugene Stetler Senior Vice President

Frank J. May Senior Vice President

Larry A. Compton Senior Vice President

Kenneth L. Kuhn Vice President/Controller

Anthony W. Dirksing Assistant Vice President

E. Dallice Fultz Assistant Vice President

Michael D. Hagerty Assistant Vice President

Michael Haines Assistant Vice President

Anita K. Magnarini Assistant Vice President

Robert G. Meyer Assistant Vice President;

(c) American Modern proposes for the Arkansas Insurers to continue to operate as they do currently as described in the Form A filing;

(d) American Modern has no present plans to cause the Arkansas Insurers to declare any extraordinary dividend; and

(e) American Modern has no current plans to change the Arkansas Insurers' names after the acquisition or to redomesticate any acquired charter to another state.

6. Mr. Tierney confirmed that the books and records for American Modern and its affiliates are currently being held at American Modern's offices at 7000 Midland Boulevard, Amelia, Ohio, 45102-2607. For this reason, American Modern requests that the books and records of the Arkansas Insurers be maintained at the Amelia, Ohio, offices after the acquisition. Nonetheless, as required by Arkansas law under Ark. Code Ann. §23-69-134(c) (Supp. 2005), the home offices of Arkansas Insurers shall continue to be located in the State of Arkansas after the acquisition.

7. Mr. Tierney testified that American Modern requests to maintain certain investments of the Arkansas Insurers in stocks and bonds with a custodian in Cincinnati, Ohio

8. Mr. Tierney testified on behalf of American Modern that, in his opinion:

(a) American Modern's acquisition of the Arkansas Insurers will not cause the Arkansas Insurers to be unable to satisfy the requirements to issue the lines of business they are currently authorized to write in Arkansas;

(b) American Modern's acquisition of the Arkansas Insurers will not substantially lessen competition of insurance in Arkansas or create a monopoly in the state;

(c) The financial condition of American Modern will not jeopardize the financial stability of the Arkansas Insurers or prejudice the Arkansas Insurers' policyholders;

(d) The terms of the acquisition are fair and reasonable to the policyholders of the Arkansas Insurers;

(e) American Modern has no plans to liquidate any of the Arkansas Insurers, sell their assets, or consolidate or merge the Insurers with any person or make any other material changes to their business, corporate structure, or management, which are unreasonable to the Arkansas Insurers or their policyholders or inconsistent with the public interest; and

(f) The competence, experience, and integrity of the persons who would control the operations of the Arkansas Insurers after acquisition are such that it is consistent with the interest of the Arkansas Insurers' policyholders and the public to allow the acquisition to go forward.

CONCLUSIONS OF LAW

Based upon the foregoing findings of fact and other matters or facts before her, the Commissioner concludes as follows:

1. The Commissioner has jurisdiction over the parties and subject matter herein.

2. None of the preclusions of Ark. Code Ann. § 23-63-510 exist as to the acquisition of control of the Arkansas Insurers by American Modern. Therefore, the acquisition should be approved.

Based on the foregoing findings of fact and conclusions of law,

various witnesses and other evidence adduced at the hearing (including exhibits filed in connection therewith), reports, correspondence, financial information, business plans and statements on file with the Department, representations or other matters considered, should be, and is hereby approved; and the parties are authorized to consummate the Stock Purchase Agreement in accordance with its terms; and

(b) Pursuant to Ark. Code Ann. § 23-69-134(c)(Supp. 2005), the request to maintain the books and records of the Arkansas Insurers, after the acquisition, in Amelia, Ohio, should be and is hereby approved, and the Arkansas Insurers' home offices will continue to be located in the State of Arkansas.

(c) Pursuant to Ark. Code Ann. § 23-69-134(c)(Supp. 2005), the request to maintain certain investments in stocks and bonds of the Arkansas Insurers, after the acquisition, with a custodian in Cincinnati, Ohio, should be and is hereby approved subject to the Department's approval of the proposed custodian and proposed custodian agreement.

DATED this 29th day of June ____, 2006.


JULIE BENAFIELD BOWMAN,
INSURANCE COMMISSIONER
STATE OF ARKANSAS