

BEFORE THE INSURANCE COMMISSIONER FOR THE STATE OF ARKANSAS

IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE ACQUISITION
OF CONTROL OF COMMUNITY BANK LIFE
AND HEALTH INSURANCE COMPANY, INC.

AID NO. 2009- 072

ORDER

A hearing was held at 2:00 p.m. on September 9, 2009, in the Hearing Room of the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. § 23-69-142 et seq., § 23-63-506 et seq., § 23-63-510, Rule 15, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a letter/petition and Form A Application dated July 30, 2009, filed by QualChoice of Arkansas, Inc. (the "Applicant") seeking approval of a Stock Purchase Agreement dated July 22, 2009, (the "Agreement") between the Applicant and the stockholders of Community Bank Life and Health Insurance Company, Inc. (the "Company") NAIC No. 70998. The Insurance Department was represented by Zane Chrisman, Associate Counsel, Bob Alexander, Associate Counsel, Mel Anderson, Deputy Commissioner for Financial Regulation/Audit, Brenda Haggard, Manager of Financial Analysis and other members of the Department. The Applicant was represented by Michael E. Stock, President and Chief Executive Officer, Randall Crow, Chief Financial Officer and Treasurer, James W. Couch, Esq., Chief Compliance Officer and Secretary of the Applicant and by its attorneys, Dover Dixon Horne, PLLC through Allan W. Horne. The Company, and its stockholders, were represented by Richard Trammell, President of the Company and Executive Director of Arkansas Community Bankers Association, one of the twelve stockholders of the Company which own all of the issued and outstanding capital stock of the Company.

Also before the Hearing Officer was the request for approval of a proposed Management Services Agreement between the Company and the Applicant.

FINDINGS OF FACT

From the letter/petition, Form A, Management Services Agreement, testimony of the witnesses and other evidence introduced at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel and other matters and things considered, the Commissioner finds as follows:

1. The letter/petition and Form A were filed herein on July 30, 2009. The Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§23-69-142, 23-63-506, 23-63-510, 23-69-149 and other pertinent provisions of the Arkansas Insurance Code. The Notice of Hearing was given within the time and in the manner required by law and the parties have consented to the holding of this hearing at this time and on this date.

2. The Applicant is an Arkansas not-for-profit mutual benefit corporation duly licensed and in good standing under the laws of the State of Arkansas.

3. Through the acquisition of the Company by the Applicant, the Company will become a wholly-owned subsidiary of the Applicant. The Agreement has been approved by the Board of Directors of the Applicant. As a not-for-profit corporation, the Applicant has no members or owners and is controlled by its Board of Directors.

4. The purchase price agreed to be paid for the stock of the Company is fair and equitable to the Applicant.

5. The Company is not currently actively engaged in the business of insurance. The Company ceded all of its credit life and accident and health policies effective January 31, 2008

to Southern Pioneer Life Insurance Company. The Company has approximately 45 policies outstanding, all of which are funeral expense policies. The Company has entered into an Assumption Reinsurance Agreement with Selected Funeral & Life Insurance Company ("Selected") whereby the Company will transfer and cede all of its policies to Selected prior to the closing of the Stock Purchase Agreement. The Assumption Reinsurance Agreement has been filed with the Department and was not disapproved by the Commissioner effective September 10, 2009.

6. Consummation of the Agreement and assumption of control of the Company by the Applicant will not substantially lessen competition in the insurance business in this state or tend to create a monopoly therein.

7. There are no plans or proposals to liquidate the Company, sell its assets, consolidate or merge it with any other person except as set forth in the Agreement. There are no plans or proposals to make any material changes in the business or corporate structure that would be unfair or unreasonable to any policy holder of the Company or against the public interest.

8. The competence and experience of the persons who would control the operations of the Company are not such that the acquisition of control would not be in the best interest of any policy holders of the Company and of the public.

9. No director, officer, agent or employee of any of the parties shall receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner aiding, promoting or assisting with the Agreement.

10. The Agreement is not contrary to law.

11. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Commissioner have been duly complied with by the Applicant, the Company and the Department.

12. The Management Services Agreement is not contrary to law.

13. The Applicant shall cause to be infused \$1.5 million of capital and surplus into the Company on or before the close of business December 31, 2009.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact and other matters, facts and things before the Hearing Officer, the Hearing Officer finds and concludes that none of the conditions specified in Ark. Code Ann. § 23-63-510, § 23-69-142 as preclusions for the approval of the Agreement exist, the proposed acquisition of control of the Company should be approved as provided in the Agreement, letter/petition, Form A and as described in this Order, and that the Management Services Agreement is consistent with and not in violation of any law and should be approved.

RECOMMENDATIONS OF THE HEARING OFFICER

WHEREFORE, based upon the foregoing Findings of Fact, Conclusions of Law, and other matters before the Hearing Officer, the Hearing Officer recommends:

1. The proposed acquisition of control of the Company, pursuant and subject to the terms and conditions of the Form A, and these Findings of Fact and Conclusions of Law should be approved in all respects;

2. The Management Services Agreement between the Company and the Applicants should be approved;

3. That the customary third party background checks of Richard A. Pierson, Joseph M. Elser, Jonathon Bates, Mark Mengel, James K. Hendren, Harold Jackson Lassiter, Charles Smith, Michael E. Stock, Haley Wilson, Randall Crow, Roger Howe and James W. Couch (the "Individuals"), each of whom is associated with the Applicant and will be associated with the, Company be promptly delivered to the Department for review. The Department may request additional information from any of the Individuals after the receipt of the background checks. Further, if the competence, experience, or integrity of any of the Individuals is found to be inconsistent with the interests of the Company's policyholders and the public, the Department may, within 30 days after receipt of all additional biographical information requested by the Department, place conditions on such Individual's involvement with the Company and the Applicant, subject to an opportunity for hearing and appeal of the Department's decision by the Company, the Applicant, or the Individual(s). The conditions upon the Individual's involvement with the Company shall, at minimum, require that the Individual refrain from participating in any decisions regarding the management of the Company or the Applicant until any hearing or appeal of the Department's decision is finally resolved; and

4. The Applicant shall cause to be infused a total of \$1.5 million of capital and surplus into the Company on or before the close of business December 31, 2009.



DAN HONEY
DEPUTY COMMISSIONER AND
HEARING OFFICER

CERTIFICATION

I, Jay Bradford, Insurance Commissioner for the State of Arkansas, do hereby certify that the above Findings of Fact, Conclusions of Law and Recommendations were made by and under my authority and supervision by Mr. Dan Honey, Deputy Commissioner and Hearing Officer for the Department, in this proceeding. I hereby adopt the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations in full and enter this Order.

IT IS THEREFORE ORDERED, that the Stock Purchase Agreement whereby the Applicant would acquire all of the outstanding capital stock and thus control of the Company should be and it is hereby approved.

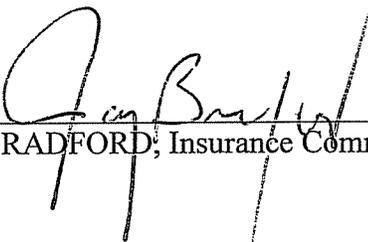
IT IS FURTHER ORDERED THAT the Management Services Agreement between the Company and the Applicant is hereby approved.

IT IS FURTHER ORDERED THAT the customary third party background checks of Richard A. Pierson, Joseph M. Elser, Jonathon Bates, Mark Mengel, James K. Hendren, Harold Jackson Lassiter, Charles Smith, Michael E. Stock, Haley Wilson, Randall Crow, Roger Howe and James W. Couch (the "Individuals"), each of whom is associated with the Applicant and will be associated with the Company, will be promptly delivered to the Department for review. The Department may request additional information from any of the Individuals after the receipt of the background checks. Further, if the competence, experience, or integrity of any of the Individuals is found to be inconsistent with the interests of the Company's policyholders and the public, the Department may, within 30 days after receipt of all additional biographical information requested by the Department, place conditions on such Individual's involvement with the Company and the Applicant subject to an opportunity for hearing and appeal of the Department's decision by the Company, the Applicant, or the Individual(s). The conditions upon

the Individual's involvement with the Company shall, at minimum, require that the Individual refrain from participating in any decisions regarding the management of the Company or the Applicant until any hearing or appeal of the Department's decision is finally resolved.

IT IS FINALLY ORDERED that the Applicant shall cause to be infused \$1.5 million of capital and surplus into the Company on or before the close of business December 31, 2009.

IT IS SO ORDERED this 10th day of September, 2009.



JAY BRADFORD, Insurance Commissioner