

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE ASSUMPTION
REINSURANCE AGREEMENT BY AND
USABLE LIFE (CEDING INSURER) AND
USABLE MUTUAL INSURANCE COMPANY
(ASSUMING INSURER)**

A.I.D. NO. 2013- 125

ORDER

On December 26, 2013 at 2:00 pm in the Hearing Room of the Arkansas Insurance Department (the "Department") in accordance with the provisions of Ark. Code Ann. §§ 23-61-103, 23-61-109, 23-63-515, 23-69-149, and other pertinent provisions of the Arkansas Insurance Code, a public hearing was held regarding the Assumption Reinsurance Agreement ("Agreement") by and between USABLE Life of Little Rock, Arkansas ("USABLE Life" or "Ceding Insurer"), and USABLE Mutual Insurance Company of Little Rock, Arkansas ("USABLE Mutual" or "Reinsurer"). The hearing was held before Lenita Blasingame, Chief Deputy Commissioner ("Hearing Officer"), as designated by the Insurance Commissioner for the State of Arkansas ("Commissioner"). The Department was represented by Ms. Amanda Capps Rose, Associate Counsel. Present on behalf of USABLE Mutual were Leann Rogers, Regional Executive for the Southwest Region, and Frank B. Sewall, Senior Counsel, Regulatory. Present on behalf of USABLE Life was William P. Creasman, Executive Vice President, Secretary and General Counsel.

FINDINGS OF FACT

From the Agreement, testimony of witnesses and other evidence presented at the hearing, including exhibits filed in connection therewith, representations of counsel, and other matters and things considered, the Hearing Officer finds that:

1. On December 3, 2013, USABLE Mutual and USABLE Life filed the Agreement, dated December 2, 2013, with the Department and asked the Commissioner for review and approval.

2. USABLE Mutual and USABLE Life are affiliates in that USABLE Mutual has an indirect ownership interest of 27.19% in Life and Specialty Ventures, LLC, which owns 100% of the outstanding shares of USABLE Life stock.

3. The proposed Agreement provides that USABLE Mutual will assume by assumption reinsurance the following policy forms issued in Arkansas:

40-1 Group Policy

40-2 Group Policy

40-3 Conversion Policy

and the following policy forms issued in Texas:

USAPPO201LG-TX Group Policy

USAPPO201SG-TX Group Policy

USAPPO202LG-TX Group Policy

USAPPO202SG-TX Group Policy

USAHSAPPO203LG-TX Group Policy

USAHSAPPO203SG-TX Group Policy

CONVUSAPOLPOS (POS)-201 POS Conversion Policy

CONVUSAPPO201-PPO Conversion Policy

USAPPO203CONV-HAS Conversion Policy

4. Under the Agreement, USABLE Life will cede all of its current group health insurance policies and contracts (“the Policies”), consisting of five (5) group insurance and one (1) conversion issued in Arkansas and two hundred seven (207) group insurance policies and fourteen (14) conversion policies issued in Texas, to USABLE Mutual, which will assume the Policies. The Policies provide coverage to 2,772 Texans and 502 Arkansans. The gross premium amount for these policies in 2012 was \$2,216,254 in Arkansas and \$16,700,545 in Texas.

5. There is currently a one hundred percent coinsurance agreement by and between USABLE Mutual and USABLE Life whereby USABLE Mutual administers and services the Policies. Under the terms of the Agreement, the current coinsurance agreement will terminate and the servicing of the Policies will continue to be provided by the same personnel under the Agreement.

6. The Agreement provides that no cession fee will be paid by USABLE Mutual or USABLE Life for assuming the Policies. USABLE Life represents that the statutory amount of the reserves for the Policies as of December 31, 2012 is \$2,724,267. Accordingly, at the Closing, USABLE Life will release its beneficial interest in the trust principal established in accordance with Section 9 of the 100% coinsurance agreement to USABLE Mutual the sum of. \$2,724,267, plus additional statutory reserves accumulated between such date and January 1, 2014.

7. In addition to being subject to review and approval by the Arkansas Insurance Department, the Agreement is also subject to review and approval of the Texas Department of Insurance.

8. The assumption certificates set forth as Exhibits B1 and B2 were approved by the Arkansas Insurance Department on December 12, 2013.

CONCLUSIONS OF LAW

Based upon the aforementioned findings of fact, and other matters and things before the Hearing Officer, the Hearing Officer finds and concludes as follows:

1. The Commissioner has jurisdiction over the subject matter and the parties to this transaction.

2. The Agreement is not contrary to law; nor inequitable to the stockholder of USABLE Life or the members of USABLE Mutual; nor will it substantially reduce the protection or service to the group policyholders and certificate holders.

3. The transaction is between affiliated insurers, and there is no competitive insurance market impact in Arkansas or in Texas. The transaction is not unfair or unreasonable to the group policyholders of USABLE Life, nor is the transaction against the public interest.

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 Assumption Reinsurance Agreement with respect to the reinsurance of the policies issued in Arkansas should be approved.

2. The Assumption Reinsurance Agreement with respect to the reinsurance of the policies issued in Texas should be approved.


LENITA BLASINGAME,
CHIEF 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 of the Hearing Officer were made by and under my authority and supervision by Lenita Blasingame, Chief Deputy Commissioner and Hearing Officer 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 Assumption Reinsurance Agreement with respect to the reinsurance of the policies issued in Arkansas is approved and that the Assumption Reinsurance Agreement with respect to the reinsurance of the policies issued in Texas is approved.

IT IS SO ORDERED this 26th day of December, 2013.


JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS