



September 1, 2020

Via Email

Mr. Brent Haggard
President and Chief Executive Officer
Universal Fidelity Life Insurance Company
13931 Quail Pointe Drive
Oklahoma City, Oklahoma 73134

Re: Proposed Acquisition of Control of Southern Life and Health Insurance Company by Universal Fidelity Life Insurance Company (Case No. 20-C43728)

Dear Mr. Haggard:

The following items are requested in connection with this Office's review of the proposed acquisition of control of Southern Life and Health Insurance Company.

1. As of December 31, 2019, Southern Life and Health Insurance Company, under NAIC risk-based capital standards, had an authorized control level risk-based capital of \$3,672,461. The target immediate post-acquisition capital and surplus is \$3,250,000. In the Form A, it is stated that, if closed at December 31, 2019 under the proposed transaction terms, Southern Life and Health Insurance Company's RBC ratio would have been 652%. Please demonstrate how authorized control level risk-based capital would decrease from \$3,672,461 to \$510,000 under the proposed transaction terms.
2. What would Southern Life and Health Insurance Company's RBC ratio have been if closed at December 31, 2019 under the proposed transaction terms, if the company's assets were invested according to the plan to achieve your targeted investment return instead of almost all cash?
3. Given Universal Fidelity Life Insurance Company's third-party administrative capabilities, will there be any need or provision to retain any of the existing staff serving Southern Life and Health Insurance Company either directly or on a consulting basis?
4. In what calendar year do your internal projections indicate that Southern Life and Health Insurance Company would reach the capital and surplus deemed necessary for its reactivation under your business plan?
5. Is it anticipated that, following the acquisition of control, the officers and directors of Southern Life and Health Insurance Company would be identical to the officers and directors of Universal Fidelity Life Insurance Company?
6. Please provide a copy of the Material Non-Disclosure, Confidentiality and Proprietary Rights Agreement dated as of October 10, 2019, and amended as of May 29, 2020, between Universal Fidelity Life Insurance Company and Southern Life and Health Insurance Company.
7. As the ultimate controlling person of the holding company system, please provide your personal balance sheet as of either December 31, 2019 or June 30, 2020, whichever would be easiest to prepare, with your personal attestation as to its accuracy and integrity.

8. For each of the following entities in the holding company system of Universal Fidelity Life Insurance Company:
 - a. CBH Management Services, Inc.
 - b. Seneca International Ltd.
 - c. Universal Fidelity Services Company, LLC
 - d. Universal Fidelity Administrators Company
 - e. Universal Capital Company, LLC
 - f. Legend Insurance Agency LLC
 - g. GR Phronesis Inc.

Please provide the following information:

- a. Financial statements as of the most recent fiscal year end (unaudited is acceptable, if that's the best available)
 - b. Description of current purpose and activities
 - c. Capitalization structure, including the number of shares authorized, and issued and outstanding for each class of common and preferred stock as well as any debt issued, if any.
9. Which entities within the holding company system of which Universal Fidelity Life Insurance Company function as the direct employers of those who provide services to Unity? Please describe the services that each of these corporations currently provide.
 10. What are the number and location of employees that currently provide services to Universal Fidelity Life Insurance Company and its policyholders?
 11. Is it your expectation that Universal Fidelity Life Insurance Company will meet the qualifications for complete forgiveness of its \$820,500 Paycheck Protection Program loan under the Coronavirus Aid, Relief, and Economic Security Act?
 12. There is sometimes legitimate need to disapprove affiliated agreements on an interim basis and it is not reasonable that the regulator should have to risk immediate cessation of all essential services as a result. Accordingly, Section 6.02 (C) of the Administration and Services Agreement should be revised to allow for 90 days continuity of services under the terms of the latest executed agreement between the parties. In addition, Section 8.03 of the Administration and Services Agreement should be revised so that arbitration does not apply to any disputes arising in the course of a liquidation or rehabilitation proceeding pursuant to Chapter 645 of the Wisconsin Statutes. Please provide a revised form of Administration and Services Agreement to address these concerns.
 13. Attached is a draft stipulation and order that includes the terms and conditions that we currently believe necessary for approval of the proposed acquisition.

Thank you for your time and consideration to these requests. If you have questions on this or any other matter in which I may be of some assistance, please call me at (608) 267-4388.

Sincerely,



Steven J. Junior, Insurance Program Manager
Division of Financial Regulation