

FORM A
STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER
WITH A
DOMESTIC INSURER

Filed with the Office of the Commissioner of Insurance,
State of Wisconsin

Southern Life and Health Insurance Company
Name of Domestic Insurer

By

Universal Fidelity Life Insurance Company
Name of Acquiring Person

Filed with the Wisconsin Office of the Insurance Commissioner

Date: August 4, 2020

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

Carleton B. (“Brent”) Haggard
President and Chief Executive Officer
Universal Fidelity Life Insurance Company
13931 Quail Pointe Drive
Oklahoma City, OK 73134
Telephone: (800) 366-8354, Ext. 100
Email: bhaggard@uflic.com

With a copy to:

Jed Roher
Husch Blackwell LLP
33 East Main Street, Suite 300
Madison, WI 53703
Telephone: (608) 243-6013
Email: jed.roher@huschblackwell.com

INTRODUCTION

This Form A Statement (“Statement”) is submitted on behalf of Universal Fidelity Life Insurance Company (“Applicant”). Applicant is a life, health, and accident insurer and third party administrator domiciled in Oklahoma.

Applicant was incorporated under the laws of the State of Oklahoma on May 9, 1930, as a mutual benefit association under the name Universal Accident Insurance Company, located in Tulsa, Oklahoma. Applicant commenced business on July 1, 1935. Applicant changed to a legal reserve stock insurance company in 1955 and adopted its current name in 1961.

On March 11, 1996, Pioneer Financial Services, Inc. (“PFS”) acquired 100% of Applicant’s common stock. PFS then sold Applicant’s common stock to Pre-Paid Legal Services, Inc. (“Pre-Paid Legal”) on December 30, 1998. Subsequently, on December 31, 2001, Universal Fidelity Holding Company, Inc. (“UFHC”) acquired 100% of Applicant’s outstanding common stock from Pre-Paid Legal. UFHC was eventually merged into Applicant, and with the subsequent buyout of a minority shareholder in 2017 resulted in all of Applicant’s outstanding common stock being owned by Seneca International, Ltd., a Texas limited partnership (“Seneca International”). Brent Haggard is the President of Seneca International’s general partner, CBH Management Services, Inc., a Texas corporation (“CBH Management”), and owns or controls all of the voting equity of CBH Management; Mr. Haggard owns 80% of the equity interests of Seneca International, with no other individual holding greater than a 10% interest in Seneca International. Mr. Haggard is also the Chairman of the Board of Directors of Applicant and is Applicant’s President and CEO.

Through this series of transactions, in 1998 Applicant ceded its accident and health business to Pioneer Life Insurance Company, retaining its current life business and continuing to provide claims processing for the coinsured Medicare Supplement and healthcare business, and in 2001 Applicant reinsured 95% of its life business to LifeShield National Insurance Company, an Oklahoma domestic life insurance company located in Oklahoma City, Oklahoma. Applicant currently has two wholly-owned subsidiaries, Universal Fidelity Administrators Company and Universal Capital Company, LLC, and is a sister company to Universal Fidelity Services Company, LLC, which is also wholly-owned by Seneca International.

Applicant’s executive offices are located in Oklahoma City, Oklahoma, and its operational offices are located in Duncan, Oklahoma. Applicant is managed by Brent Haggard, its President and Chief Executive Officer, Penney Stewart, its Vice President, Lori Hay, its Senior Vice President, Enterprise Risk Management and Chief Financial Officer, Steven E. Taylor, its Senior Vice President, Business Development, Jodi Cooper, its Vice President and Secretary, and Kyle Conrad, its General Counsel. Applicant’s operations are organized in three divisions – Administrative Services, Life and Medicare Supplement Insurance, and Student Accident Insurance.

Applicant was one of the smallest AM Best rated B+ companies until 2012, when it became B rated. The next smallest B+ rated carrier had 6 times the capital of Applicant, so at that time Applicant determined to exit the AM Best rating process. Applicant has current capital and surplus of \$5,320,234 and a Risk Based Capital ratio of 658% (each as of December 31, 2019).

ITEM 1. INSURER AND METHOD OF ACQUISITION

Southern Life and Health Insurance Company
402 Office Park Drive, Suite 101
Birmingham, Alabama 35223

The acquisition will be in the form of a purchase (the “Stock Purchase”) by Applicant of all of the issued and outstanding shares of the common stock, par value \$50 per share (the “Common Stock”), of Southern Life and Health Insurance Company (“Southern”), pursuant to the terms of that certain Stock Purchase Agreement (the “Stock Purchase Agreement”) by and between Applicant and Honor Capital Corp., a Delaware corporation (“Seller”), a copy of which is attached hereto as **Exhibit A**. At the time of the Stock Purchase (and as explained in further detail below), the Common Stock acquired by Applicant will constitute all of the issued and outstanding capital stock of Southern. As a result, following the closing of the Stock Purchase (the “Closing”) Southern will be a wholly-owned subsidiary of Applicant.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and address of the applicant.

Universal Fidelity Life Insurance Company
13931 Quail Pointe Drive
Oklahoma City, OK 73134

(b) Nature of its business operations and future business.

In addition to Oklahoma, Applicant is licensed and authorized to conduct business and provide life, health, and accident insurance in Arizona, Arkansas, Mississippi, Nebraska, New Mexico, and Texas; Applicant is licensed and authorized to provide third party administrative services to other insurance companies in all states requiring a license for the provision of those services. As a third party administrator, Applicant administers policies for companies such as Lifeshield National, CNO Financial, Loyal American, National General, Unified Life, Fidelity Security Life, American Fidelity Assurance, Gen Re, Allcare Health Plan, and Montana Health Co-Op, together with employer self-funded health plans. In addition, Applicant provides full administration and underwriting services for Final Expense, Medicare Supplement, self-funded Group Health, Blanket Accident, Group Term Life, Individual and Group Worksite, and Stop Loss policies. Applicant typically takes risk as a reinsurer with its third party administrator clients on products that it administers. Applicant also issues its own Medicare Supplement, Accident, and Final Expense products.

Following the Stock Purchase, Applicant will continue to operate its existing business, and will enter into an agreement with Southern pursuant to which Applicant will provide third party administrative services, management services, and home office services to Southern. This Statement is accompanied by a Form D filing related to that agreement. Other than this new intercompany agreement, Applicant intends that Southern will not market any new business until Southern’s accumulated profits or capital additions result in Southern having capital and surplus of approximately \$5 million. Applicant intends that this increase in Southern’s capital and

surplus from Southern's anticipated \$3.25 million capital and surplus at Closing will be achieved through Southern's investment in investment grade, liquid bonds and preferred stocks. In addition, Applicant intends that Southern will continue to maintain its existing reinsurance arrangement with Guaranty Income Life Insurance Company ("GILICO"), pursuant to which Southern reinsures a block of annuity policies issued by GILICO on a 100% co-insurance basis.

(c) Organizational chart; court proceedings.

Applicant's organizational chart is included with this Statement as **Exhibit B**. There are no court proceedings involving a reorganization or liquidation pending with respect to any entity shown on the organizational chart.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Applicant is a wholly-owned subsidiary of Seneca International, whose general partner is CBH Management. The directors and officers of Applicant are:

Applicant

(a) Directors:

C. Brent Haggard, Chairman
Steven E. Taylor
Lori A. Hay
Brian L. Baxter

(b) Officers and Executive Management:

C. Brent Haggard, President and Chief Executive Officer
Penney Stewart, Vice President
Lori A. Hay, Senior Vice President, Enterprise Risk Management and Chief Financial Officer
Steven E. Taylor, Senior Vice President, Business Development
Jodi Cooper, Vice President and Secretary
Kyle D. Conrad, General Counsel

Seneca International

Seneca International is a limited partnership with CBH Management as its general partner. Brent Haggard is the President of CBH Management and owns or controls all of the voting equity of CBH Management. Mr. Haggard owns 80% of the equity interests in Seneca International, with no other person holding a limited partnership interest in Seneca International that reaches 10%.

Biographical Affidavits for each of the above individuals are a part of this Form A but are being sent under separate cover.

Applicant is requesting confidential treatment with respect to the Biographical Affidavits.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control.

At the Closing, Applicant will pay to Seller an amount equal to \$500,000, *plus* an amount equal to \$3,250,000, which is Southern's "Estimated Adjusted Capital and Surplus" as of the Closing (such sum, the "Cash Consideration"). As set forth in Section 3.05 of the Disclosure Schedules to the Stock Purchase Agreement, Southern's "Adjusted Capital and Surplus" and its "Estimated Adjusted Capital and Surplus" will both be \$3,250,000 immediately prior to the Closing.

Southern's Estimated Adjusted Capital and Surplus as of the Closing has been agreed to by the parties in the Stock Purchase Agreement. No later than forty-five (45) days following the Closing, Seller will prepare a final calculation of Southern's Adjusted Capital and Surplus as of the Closing. Applicant will have ten (10) business days to provide comments to that final calculation, with any disagreement between them to be resolved by a mutually acceptable nationally recognized accounting firm. If Southern's Adjusted Capital and Surplus as of the Closing, as resolved, is greater than the estimate of Southern's Adjusted Capital and Surplus as of the Closing, then Applicant will pay to Seller the amount of the excess; if Southern's Adjusted Capital and Surplus as of the Closing, as resolved, is less than the estimate of Southern's Adjusted Capital and Surplus as of the Closing, then Seller will pay to Applicant the amount of the deficiency. It is the intention of Seller and Applicant that the Adjusted Capital and Surplus and the Estimated Adjusted Capital and Surplus will be \$3,250,000 immediately prior to the Closing. The adjustment process set forth above is to rectify any discrepancies between the Adjusted Capital and Surplus and the Estimated Adjusted Capital and Surplus once financial statements have been prepared as of the date of the Closing.

The source of the Cash Consideration, plus, if applicable, any amount by which Southern's Adjusted Capital and Surplus as of the Closing, as resolved, is greater than Southern's Estimated Adjusted Capital and Surplus as of the Closing, will be Applicant's cash on hand. No part of the consideration is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities.

In addition to the Cash Consideration, immediately prior to the Closing Southern will: (i) redeem all of the issued and outstanding shares of Southern's class A Preferred stock, par value \$500 per share, all of which are held by Seller, for an amount equal to (A) the liquidation value of each share of such class A Preferred stock, *plus* (B) the aggregate unpaid dividends accrued with respect to each share of such class A Preferred stock as of the Closing; (ii) transfer to Seller all of the issued and outstanding capital stock of Southern Financial Corp., a Delaware corporation, Southern Mortgage Holding Corporation, a Delaware corporation, and Southern Investors Corp., a Delaware corporation, which are all of the subsidiaries of Southern (the "Subsidiaries"); and (iii) transfer to Seller an amount of cash such that, following such transfer, the Estimated

Adjusted Capital and Surplus of Southern will be \$3,250,000 (collectively, the “Pre-Closing Transfers”). In connection with the filing of this Form A with the OCI, Southern will file with the OCI a dividend report reflecting the Pre-Closing Transfers.

Since the acquisition will be a Stock Purchase, Southern will retain all assets and liabilities on its balance sheet as of the Closing. Prior to the Closing Seller will convert all of Southern’s investments, with the exception of \$500,000 of U.S. Treasury Notes on deposit with the State Controller’s Office for the State of Wisconsin (the “Treasury Notes”), to cash. At the Closing, Seller will transfer that cash, which is anticipated to comprise all of Southern’s assets except for the Treasury Notes and certain policy loan receivables, to Applicant. At the Closing or as soon as reasonably practicable thereafter, Applicant will transfer that cash to Southern.

(b) Criteria used in determining the nature and amount of such consideration.

The Cash Consideration, as resolved, was determined through arms-length negotiations by the parties. The parties took into consideration that Southern is not currently writing business but has life policies that have become paid-up or extended term through non-forfeiture election and assumed annuity policies that continue to present exposure to Southern due to those lines of business. In determining the possible future exposure to Southern from its historical business, Applicant relied on verified financial data concerning Southern furnished by Seller and projections made thereon by Applicant’s appointed actuary, Edward Mire, FSA, MAAA, Principal, Rudd and Wisdom, Inc., Austin, Texas.

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER (plans to declare an extraordinary dividend, or to liquidate the insurer, to sell the insurer's assets, merge the insurer or any other material change in its business operations, corporate structure or management)

Following the Pre-Closing Transfers discussed above, Applicant has no current plans, following the Closing, to cause Southern to declare an extraordinary dividend or to sell its assets, or to liquidate or merge Southern. In addition, Applicant has no current plans to redomesticate Southern to Oklahoma, although Applicant may consider such a redomestication in the mid-term future (*i.e.*, five years following the Closing).

Following the Closing, the current Articles of Incorporation and Bylaws of Southern will continue to be the Articles of Incorporation and Bylaws of Southern, without changes. The current Articles of Incorporation and Bylaws of Southern are attached hereto as **Exhibit D**.

In connection with the Stock Purchase, Southern’s current board of directors and officers will resign as of the Closing. Immediately following the Closing, Applicant, as the sole shareholder of Southern, will elect the following individuals to the Board of Directors of Southern:

C. Brent Haggard, Chairman
Steven E. Taylor
Lori A. Hay
Brian L. Baxter
Kyle D. Conrad

Following their election, that newly-constituted Board of Directors of Southern will appoint the following individuals as officers of Southern:

C. Brent Haggard, President and CEO
Lori A. Hay, Senior Vice President, Treasurer and CFO
Kyle D. Conrad, Senior Vice President, Secretary and General Counsel

Applicant has no current plans or proposals to make any other material change in Southern's business operations, corporate structure, or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Prior to the Stock Purchase, Applicant will redeem all issued and outstanding shares of its class A Preferred stock, such that as of the Closing the only issued and outstanding shares of capital stock of Southern will be the Common Stock; as of the Closing, Thirty-Two Thousand (32,000) shares of Common Stock will be issued and outstanding. As a result of the Stock Purchase, on the payment of the Cash Consideration Applicant will acquire all Thirty-Two Thousand (32,000) shares of the issued and outstanding Common Stock of Southern, such that following the Closing Applicant will be the sole stockholder of Southern.

The terms of the Stock Purchase are set forth in the Stock Purchase Agreement and were arrived at by the parties through arms-length negotiations. Both Seller and Applicant consider the terms and conditions of the Stock Purchase Agreement, including the consideration, to be fair.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than as set forth in the Stock Purchase Agreement, none of Applicant, any of its affiliates, or any person listed in Item 3 beneficially owns or has the right to acquire beneficial ownership of any shares of any class of any voting security of Southern.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than as set forth in the Stock Purchase Agreement, none of Applicant, any of its affiliates, or any person listed in Item 3 is involved in any contract, arrangement, or understanding with respect to any voting security of Southern.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no purchases of any voting securities of Southern by Applicant, any of its affiliates, or any person listed in Item 3 during the twelve (12) calendar months preceding the filing of this Statement.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Other than as set forth in the Stock Purchase Agreement, there have been no recommendations to purchase any voting security of Southern by Applicant, any of its affiliates, or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of Applicant, any of its

affiliates, or any person listed in Item 3, during the twelve (12) calendar months preceding the filing of this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

On February 25, 2020, Applicant entered into a Memorandum Agreement with Fletcher Financial, Inc., a Kansas corporation (“Fletcher Financial”), pursuant to which Fletcher Financial is entitled to a fee on the Closing of the Stock Purchase in exchange for identifying and introducing Southern to the Applicant. A copy of such Memorandum Agreement is attached hereto as **Exhibit G**.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

Items (a) – (c): Following is a list of all exhibits, including financial statements, to this Statement:

- Exhibit A - Stock Purchase Agreement between Seller and Applicant and the Disclosure Schedules referenced therein, redacted copies of which are included with this Statement with complete copies being sent under separate cover. *Applicant requests confidential treatment with respect to the redacted portions of the Stock Purchase Agreement and the Disclosure Schedules referenced therein.*
- Exhibit B - Applicant’s Organizational Chart.
- Exhibit C - Current directors and officers of Applicant. Biographical Affidavits are included with this Statement but are being sent under separate cover. *Applicant requests confidential treatment with respect to the Biographical Affidavits.*
- Exhibit D - Current Articles of Incorporation and Bylaws of Southern.
- Exhibit E - Three-Year Financial Projection for Southern prepared by Applicant is included with this Statement but is being sent under separate cover. *Applicant requests confidential treatment with respect to the Three-Year Financial Projection.*
- Exhibit F - Business Plan for Southern prepared by Applicant is included with this Statement but is being sent under separate cover. *Applicant requests confidential treatment with respect to the Business Plan.*
- Exhibit G - Memorandum Agreement between Applicant and Fletcher Financial, which is included with this Statement but is being sent under separate cover in complete and redacted copy. *Applicant requests confidential treatment with respect to the redacted portions of the Memorandum Agreement.*
- Exhibit H - Audited Annual Statements for Applicant for years 2015 through 2019.
- Exhibit I - Seller Board Resolutions approving the Stock Purchase.
- Exhibit J - Applicant Board Resolutions approving the Stock Purchase.

Please note that Applicant has not made any tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of Southern other than as described in this Statement, nor has Applicant proposed any employment, consultation, advisory, or management contracts concerning Southern other than as set forth in this Statement. Further, please note that neither Southern nor Applicant has made annual reports to their respective stockholders for the last two (2) fiscal years, and that there are no additional documents or papers required by the Form A or §§ Ins. 40.11 and 40.13, Wis. Adm. Code.

As grounds for approval of the plan for acquisition of control described in this Statement, Applicant states that the plan would not violate the law or be contrary to the interests of the insureds of Southern, as the only participating domestic insurer, or of the Wisconsin insureds of Applicant, as the only participating nondomestic insurer, and that:

- (a) After the change of control, Southern would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
- (b) The effect of acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;
- (c) The financial condition of any acquiring party is not likely to jeopardize the financial stability of Southern or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;
- (d) Applicant has no plans or proposals to liquidate Southern or its parent insurance holding corporation, sell its assets, or merge it with any person or make any other material change in its business or corporate structure or management except as disclosed in this Statement, and any such plans or proposals are fair and reasonable to policyholders of Southern and in the public interest;
- (e) The competence and integrity of those persons who would control the operation of Southern or its parent insurance holding corporation are such that it would be in the interest of the policyholders of Southern and of the public to permit the merger or acquisition of control.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs and annually thereafter for so long as control exists. Applicant acknowledges that Applicant and all subsidiaries within its control in the insurance company holding system will provide information to the Commissioner upon request as necessary to evaluate enterprise risk to Southern.

[Signature page follows.]

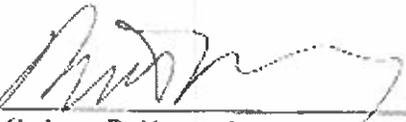
ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

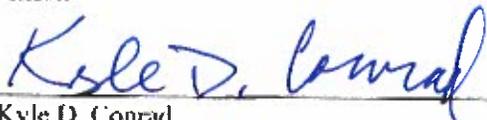
SIGNATURE -

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, Universal Fidelity Life Insurance Company has caused this application to be duly signed on its behalf in the city of Oklahoma City and state of Oklahoma on the 4th day of August, 2020.

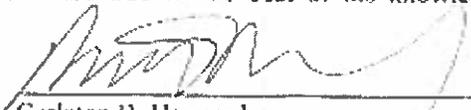
Universal Fidelity Life Insurance Company

By: 
Carleton B. Haggard
President and Chief Executive Officer

Attest:


Kyle D. Conrad
General Counsel
Universal Fidelity Life Insurance Company

The undersigned deposes and says that he has duly executed the attached application dated August 4, 2020, for and on behalf of Universal Fidelity Life Insurance Company; that he is the President and Chief Executive Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


Carleton B. Haggard
President and Chief Executive Officer

Subscribed and sworn to this
4th day of August, 2020.


Kathleen L. Cline
Notary Public

My commission expires on: 5/12/24

