

AMENDED FORM A  
STATEMENT REGARDING THE ACQUISITION OF CONTROL OF  
**UNITED LIFE INSURANCE COMPANY**

NAIC No. 69973

(the “Domestic Insurer”)

By

**Kuvare US Holdings, Inc. (“Kuvare”); Kuvare UK Holdings Limited; Kuvare Holdings LP;  
Kuvare GP Holdings LP; Kuvare GP Holdings Ltd. (“Kuvare GP”)  
(collectively, the “Kuvare Applicants”)**

**Dhiren Jhaveri**

**Access Holdings GP LP; Access Holdings GP Company; Kevin McAllister;  
(collectively, the “Access Applicants”)**

**ACP LI Holdings, LP; ACP LI Holdings GP Ltd.; Jesse Rogers  
(collectively, the “Altamont Applicants”)**

(collectively, the “Applicants”).

Filed with the Insurance Division of Iowa (the “Division”)

Date: February 14, 2018

Names, Titles, Addresses and Telephone Numbers of Individuals to Whom  
Notices and Correspondence Concerning This Statement Should be Addressed:

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This Application (this “Application”) seeks the approval of the Insurance Commissioner of the State of Iowa (the “Commissioner”) pursuant to the requirements of Section 521A.3 of the Iowa Insurance Code (“Insurance Holding Company Act” or “Act”) for the acquisition of control of the Domestic Insurer by the Applicants.

This Amended Application amends in its entirety the Application for Approval of the Acquisition of Control of the Domestic Insurer filed with the Division on September 28, 2017 (the “Original Application”).

**Item 1. Insurer and Method of Acquisition.**

(A) **The Domestic Insurer.** The name and address of the Domestic Insurer to which this Application relates is:

United Life Insurance Company  
118 Second Avenue, SE  
Cedar Rapids, Iowa 52401  
NAIC No. 69973

(B) **Method of Acquisition.**

The Applicants propose to acquire control of the Domestic Insurer pursuant to a Stock Purchase Agreement, dated as of September 18, 2017, by and among United Fire & Casualty Company (“Seller”), Kuvare and United Fire Group, Inc., solely for the purposes of Section 14.18 thereto (the “Stock Purchase Agreement”). A copy of the Stock Purchase Agreement is attached hereto as Exhibit A. Pursuant to the Stock Purchase Agreement, the Applicants will purchase all of the issued and outstanding shares of common stock of the Domestic Insurer from the Seller for a cash payment of \$280,000,000 (subject to potential adjustment) to be made at the closing of the acquisition. The closing of the acquisition is subject to customary closing conditions, including the approval by the Commissioner of this Application. All summaries and descriptions of, and references to, the Stock Purchase Agreement contained herein are qualified in their entirety by the terms and conditions of the Stock Purchase Agreement.

**Item 2. Identity and Background of the Applicants.**

(A) **Name and Address of the Applicants.** The names and principal business addresses of the Applicants seeking to acquire control over the Domestic Insurer are as follows:

Kuvare US Holdings, Inc.  
Kuvare Holdings  
55 West Monroe Street  
Suite 1930  
Chicago, IL 60603

Kuvare UK Holdings Limited  
5th, Floor, 6 St Andrew Street  
London, EC4A 3AE, United Kingdom

Kuvare Holdings LP  
PO Box 309, Uglan House George Town  
Grand Cayman KY1-1104, Cayman Islands

Kuvare GP Holdings LP  
PO Box 309, Uglan House George Town  
Grand Cayman KY1-1104, Cayman Islands

Kuvare GP Holdings Ltd.  
PO Box 309, Uglan House George Town  
Grand Cayman KY1-1104, Cayman Islands

Dhiren Jhaveri  
c/o Kuvare Holdings  
55 West Monroe Street  
Suite 1930  
Chicago, IL 60603

Access Holdings GP LP  
c/o Access Holdings  
2 East Read Street, Suite 300  
Baltimore, Maryland 21202

Access Holdings GP Company  
c/o Access Holdings  
2 East Read Street, Suite 300  
Baltimore, Maryland 21202

Mr. Kevin McAllister  
c/o Access Holdings  
2 East Read Street, Suite 300  
Baltimore, Maryland 21202

ACP LI Holdings, LP  
c/o Altamont Capital Partners  
400 Hamilton Ave., Suite 230  
Palo Alto, CA 94301

ACP LI Holdings GP Ltd.  
c/o Altamont Capital Partners  
400 Hamilton Ave., Suite 230  
Palo Alto, CA 94301

Mr. Jesse Rogers  
c/o Altamont Capital Partners  
400 Hamilton Ave., Suite 230

Palo Alto, CA 94301

(B) **Nature of the Business Operations of the Applicants.**

The nature of each Applicant's business operations for the last five years (or for such lesser period as such person and any predecessors thereof shall have been in existence) is described below.

Kuvare Applicants

*Kuvare US Holdings, Inc.* ("Kuvare") is a Delaware corporation which was formed on September 11, 2015. Kuvare is focused on building an insurance platform by acquiring and supporting the enduring growth of life insurance and annuity businesses. Founded by insurance industry executive Dhiren Jhaveri, Kuvare brings substantial resources to collaborate with existing management teams and platforms in developing sustainable growth opportunities. On October 3, 2016, Kuvare completed its first acquisition, acquiring Guaranty Income Life Insurance Company, a Louisiana life insurance company. Kuvare is a direct, wholly-owned subsidiary of Kuvare UK Holdings Limited.

*Kuvare UK Holdings Limited* is a United Kingdom company which was formed on September 17, 2015 as a holding company for Kuvare and its affiliated reinsurer, Kuvare Life Re Ltd. Kuvare UK Holdings Limited is a direct, wholly-owned subsidiary of Kuvare Holdings LP.

*Kuvare Holdings LP* is a Cayman Islands limited partnership which was formed on September 11, 2015 in order to hold Kuvare UK Holdings Limited. Kuvare Holdings LP is funded by limited partners and is controlled by Kuvare GP Holdings LP, its sole general partner. The limited partners of Kuvare Holdings LP include investment vehicles managed by Access Holdings, Altamont Capital Partners, Makena Capital Management and an investment vehicle funded by Mr. Jhaveri.

*Kuvare GP Holdings LP* is a Cayman Islands limited partnership which was formed on September 17, 2015 in order to act as the general partner of Kuvare Holdings LP. Kuvare GP Holdings LP is funded by limited partners and controlled by Kuvare GP Holdings Ltd., its sole general partner. The limited partners of Kuvare Holdings GP LP include investment vehicles managed by Access Holdings, Altamont Capital Partners, Makena Capital Management and an investment vehicle funded by Mr. Jhaveri.

*Kuvare GP Holdings Ltd.* ("Kuvare GP") is a Cayman Islands exempted company which was formed on July 31, 2015 in order to act as the general partner of Kuvare GP Holdings LP. Kuvare GP Holdings Ltd. is the ultimate controlling person within the Kuvare group. Ownership of Kuvare GP is shared by three investors: Access Holdings GP, LP, ACP LI Holdings, LP and Makena Strategic Opportunities Fund – KH, LLC. Of these three shareholders, each of Access Holdings GP, LP and ACP LI Holdings, LP hold more than 10% of Kuvare GP, whereas Makena Strategic Opportunities Fund – KH, LLC owns 5% of Kuvare GP. Subject to certain fundamental matters that are subject to either majority approval or unanimous approval by the members, the business, property and affairs of Kuvare GP are managed at the sole, absolute and

exclusive discretion of its Board of Directors. The Board of Directors of Kuvare GP has eleven (11) seats. Access Holdings GP, LP has the right to designate five directors, ACP LI Holdings, LP has the right to designate four directors and Makena Strategic Opportunities Fund – KH, LLC has the right to designate one director. For so long as Dhiren Jhaveri is the Kuvare CEO, he is entitled to be a director of Kuvare GP. Currently, Kuvare GP has the following six directors: Dhiren Jhaveri, Kevin McAllister, Jesse Rogers, Keoni Schwartz, David Burke and Eric Becker.

*Dhiren Jhaveri* is a director and the Chief Executive Officer of each of the Kuvare Applicants. As described above, for so long as Mr. Jhaveri is the Kuvare CEO, he is entitled to be a director of Kuvare GP. Pursuant to the Shareholders Agreement attached hereto as Exhibit B-5, Mr. Jhaveri may only be removed from his position as Kuvare CEO (and, as a corollary, from his position as a director of Kuvare GP) under limited contractual circumstances.

Before founding Kuvare, Mr. Jhaveri was a member of the executive committee of Sammons Financial Group, where he led corporate development and investment risk. Sammons Financial Group (SFG) is the holding company for Midland National Life Insurance Company and North American Company for Life and Health (NACOLAH). Previously, he worked at McKinsey & Co. and Barclays. Mr. Jhaveri is actively involved on various committees for the American Council of Life Insurers (ACLI) and is a designee of the LIMRA Life Insurance Fellows (LLIF).

#### Access Applicants

The Access Applicants are affiliated with Access Holdings. Access Holdings is a Baltimore-based private investment firm that seeks to invest in services-based opportunities within the United States and Canada with enterprise values of between \$50 million and \$1.0 billion. Founded in 2013, Access Holdings invests on behalf of large family offices and institutions seeking long-term investment opportunities.

*Access Holdings GP LP* is a Cayman Islands exempted limited partnership which was formed on March 7, 2013. As described above, Access Holdings GP LP holds a 50% voting interest in Kuvare GP and has the right to appoint five of the eleven possible directors on Kuvare GP's Board. Access Holdings GP LP's sole general partner is Access Holdings GP Company.

*Access Holdings GP Company* is a Cayman Islands exempted Company which was formed on March 4, 2013. Mr. Kevin McAllister owns 100% of the voting shares of Access Holdings GP Company.

*Mr. Kevin McAllister* is the founding partner of Access. Prior to Access, Mr. McAllister was with Sterling Partners where he was a member of the firm's Investment Committee and led the Business Services Group. While at Sterling, Mr. McAllister led the origination, underwriting and management of Livingston International, Foundation Partners Group ("FPG") and MOSAID Technologies investing \$800 million of equity across these three TSX take-private transactions. These investments included over \$500 million of co-investment capital sourced by Mr. McAllister from leading limited partners across North America. Prior to joining Sterling, Mr. McAllister was in the Buyout Group of American Capital (NYSE: "ACAS") and was directly responsible for deal origination, execution and company monitoring for over a dozen

portfolio companies. Mr. McAllister joined ACAS when the firm had less than \$1 billion of capital under management and was afforded the opportunity as the firm scaled to \$22 billion under management to be an active investor across all layers of the capital structure. Prior to ACAS, Mr. McAllister held strategic consulting roles at Accenture and A.T. Kearney and in business development at an acquisitive NYSE-listed holding company. Mr. McAllister has served on numerous boards in all capacities (Chair, Audit Committee and Compensation Committee). Mr. McAllister holds an MBA from the University of Chicago Graduate School of Business and a BA in Economics from Dickinson College. Mr. McAllister is also the former Chairman of the Chicago Association of Private Equity Professionals, the largest professional organization in the mid-west focused exclusively on private equity professionals.

### Altamont Applicants

The Altamont Applicants are affiliated with Altamont Capital Partners. Altamont Capital Partners is a San Francisco Bay Area-based private equity investment firm with over \$2 billion of capital under management. Altamont Capital Partners investors include leading educational endowments and institutional asset managers. Altamont Capital Partners is led by a team of seasoned principals, who, through their shared backgrounds have successfully completed well over 100 transactions, including numerous transactions in the insurance industry, and have extensive experience in the financial services industry, particularly insurance.

*ACP LI Holdings, LP* is a Cayman Islands exempted limited partnership which was formed on March 24, 2016 in order to invest in Kuvare. As described above, ACP LI Holdings, LP holds a 45% voting interest in Kuvare GP and has the right to appoint four of the eleven possible directors on Kuvare GP's Board. ACP LI Holdings, LP's sole general partner is ACP LI Holdings GP Ltd.

*ACP LI Holdings GP Ltd.* is a Cayman Islands exempted company which was formed on March 17, 2016. All shares in ACP LI Holdings GP Ltd. are owned equally by Mr. Jesse Rogers, Mr. Randall Eason, Mr. Casey Lynch and Mr. Keoni Schwartz. As described in further detail in Exhibit B-6, Mr. Jesse Rogers is the ultimate controlling person of the Altamont Applicants.

*Mr. Jesse Rogers* is Co-Founder and Managing Director of Altamont Capital Partners. Previously, Mr. Rogers co-founded and was Co-Principal Managing Director of Golden Gate Capital (GGC). Prior to co-founding GGC, Mr. Rogers was a partner at Bain & Company, where he founded and served as the Global Head of Bain's Private Equity Group (PEG). Under his leadership, PEG became the global leader in advising private equity firms. He was also a Director and was elected to the firm's Governance Committee. Mr. Rogers began his career as an officer of Morgan Guaranty Trust Company. He received a Masters in Business Administration from Harvard Business School and a B.A. from Stanford University.

Mr. Rogers is a current or past board member of a number of other public and private companies, including: Beringer Wine Estates, Billabong, Employer's Direct Insurance, Endurance Re (observer), Enjoy, Eye Care Centers of America, Herbalife, Interstate National, Lexicon, Makena Capital (observer), Ruiz Foods, and TauTona. In addition, he has served on several non-profit boards, including: Common Sense Media, Harvard Business School's Board

of Dean's Advisors, Stanford University's DAPER Investment Fund, The Stanford Athletic Board (Executive Committee), Stanford Institute for Economic Policy Research (SIEPR), Stanford Parent's Advisory Board (Co-Chair, with his wife, Mindy), The Stanford Challenge (university capital campaign) Leadership Committee, and the United Way of the Bay Area (board member and Campaign Chair).

Makena

Makena Strategic Opportunities Fund – KH, LLC is affiliated with Makena Capital Management, a global, multi-asset class investment manager that provides a range of pooled investment vehicles with the objective of long-term, risk adjusted capital appreciation. Makena Capital Management currently manages \$20 billion in capital, providing investment solutions to endowment investors around the world. As described above, Makena Strategic Opportunities Fund – KH, LLC holds a 5% voting interest in Kuvare GP and has the right to appoint only one of the eleven possible directors on Kuvare GP's Board. As such, Makena Strategic Opportunities Fund – KH, LLC is not an applicant to this Application.

(C) **Organizational Chart.**

The current organizational chart of the Domestic Insurer is attached Exhibit B-1. A simplified, post-acquisition organizational chart of the Domestic Insurer and the Kuvare Applicants is attached as Exhibit B-2. There are no court proceedings involving a reorganization or liquidation pending with respect to any person listed on Exhibit B-2. Simplified organizational charts of the internal structures of the Altamont Applicants and the Access Applicants are submitted separately as Exhibits B-3 and B-4, respectively. There are no court proceedings involving a reorganization or liquidation pending with respect to any person listed on Exhibits B-3 and B-4.

**Item 3. Identity and Background of Individuals Associated with the Applicants.**

(A) **Name and Business Address.**

A list of the directors and executive officers of the Kuvare Applicants, along with their business addresses, is attached as Exhibit C-1 hereto, and a list of the proposed new directors and executive officers of the Domestic Insurer that have been identified to date, along with their business addresses, is attached as Exhibit C-2 hereto. If additional proposed directors or executive officers are identified prior to the closing of the acquisition, the Applicants will supplement this Application with their names, addresses and biographical affidavits. A list of the directors and executive officers of the Access Applicants and the Altamont Applicants, along with their business addresses, are attached as Exhibits C-3 and C-4 hereto.

(B) **Principal Business Activity.**

The present principal business activity, occupation or employment, including position and office held, and the name, principal business and address of any corporation or other organization in which such employment is carried on with respect to the individuals set forth on Exhibits C-1, C-2, C-3 and C-4 is included in the biographical affidavits of such persons attached as confidential Exhibit D to this Application.

(C) **Material Occupations, Positions, Offices or Employments.**

The material occupations, positions, offices or employment during the last five years, including the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, with respect to the individuals set forth on Exhibits C-1, C-2, C-3 and C-4 is included in the confidential biographical affidavits of such persons attached as Exhibit D to this Application.<sup>1</sup> Except as may be set forth in the biographical affidavits, no such occupation, position, office or employment required licensing by or registration with any Federal, State or municipal governmental agency. The current status of any such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith, is stated in the biographical affidavits.

(D) **Criminal Proceedings.**

Except as may be set forth in the biographical affidavits attached as Exhibit D to this Application, to the best knowledge, information and belief of the Applicants, no person listed in Exhibits C-1, C-2, C-3 and C-4 has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

**Item 4. Nature, Source and Amount of Consideration.**

(A) **Nature, Source and Amount of Funds or Other Consideration.**

Subject to a reduction for “Leakage” (e.g., certain payments made by the Domestic Insurer to its affiliates or with respect to expenses related to the transaction), if any, between March 31, 2017 and the closing of the acquisition, the consideration for Kuvare’s purchase of the Domestic Insurer pursuant to the Stock Purchase Agreement is \$280,000,000 (the “Purchase Price”). Kuvare will acquire the funds necessary to pay the Purchase Price through capital contributions to be made by the investors in Kuvare Holdings LP and capital available to Kuvare and its affiliates, as described below in more detail. In addition, Kuvare has obtained a commitment for debt financing in an amount of between \$60,000,000 and \$85,000,000, as described below in more detail.

Kuvare Holdings LP expects a portion of the funds for the acquisition to be obtained from capital commitments by its limited partners in an amount ranging from \$242,000,000 to \$257,000,000. Funding of such commitments is contingent upon satisfaction of the closing conditions set forth in the Stock Purchase Agreement, including, without limitation, the approval by the Commissioner for the acquisition of control of the Domestic Insurer. In addition, Kuvare and its affiliates have capital sufficient to fund the remaining \$23,000,000 to \$38,000,000 to make up the Purchase Price.

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<sup>1</sup> In addition to the biographical affidavits on file as Exhibit D of the Original Application, biographical affidavits for Mr. Casey Lynch and Mr. Randall Eason (directors of ACP LI Holdings GP Ltd.) have been provided.



From the total amount received from limited partners pursuant to the commitments described above and available capital, Kuvare Holdings LP will contribute, directly or through Kuvare UK Holdings Ltd., funds to Kuvare at least equal to \$280,000,000 (or such lesser amount that is needed after the funding of the debt commitment described below).

In furtherance of the foregoing, Kuvare Holdings LP has entered into an equity commitment letter with Kuvare, dated as of September 18, 2017, committing to provide Kuvare, directly or through its affiliates, with funds that, in combination with other capital sources available to Kuvare, will be sufficient to fund the Purchase Price. A copy of this equity commitment letter is attached as Exhibit E-1 (the “Equity Commitment Letter”). All summaries and descriptions of, and references to, the Equity Commitment Letter contained herein are qualified in their entirety by the terms and conditions of the Equity Commitment Letter.

In addition to the Equity Commitment Letter, Kuvare received a debt commitment letter from commercial lenders, dated September 18, 2017, whereby the lenders committed to providing between \$60,000,000 and \$85,000,000 in financing upon the consummation of the transactions contemplated by the Stock Purchase Agreement. A copy of the debt commitment letter is attached as confidential Exhibit E-2 (the “Debt Commitment Letter”). All summaries and descriptions of, and references to, the Debt Commitment Letter contained herein are qualified in their entirety by the terms and conditions of the Debt Commitment Letter.

At the closing, Kuvare will use the funds contributed to it by Kuvare Holdings LP and all or a portion of the proceeds of the debt commitment described above to acquire the Domestic Insurer and pay transaction expenses incurred.

**(B) Criteria Used in Determining the Nature and Amount of Consideration.**

The basis and terms of the Stock Purchase Agreement, including the nature and amount of consideration, were determined by arms’ length negotiation between unrelated parties with advice of their respective financial, legal and other advisors. The Purchase Price was determined in view of the financial position and results of operation of the Domestic Insurer, including the past and present business operations, historical and potential earnings, financial condition and prospects, assets and liabilities and such other factors and information as the Applicants considered relevant under the circumstances.

**(C) Confidentiality of Lender’s Information in the Ordinary Course of Business.**

The Applicants hereby request that the identity of the lenders under the Debt Commitment Letter be kept confidential.

**Item 5. Future Plans for Insurer.**

A copy of a Business Plan for the Domestic Insurer is attached hereto as Exhibit F. As set forth in greater detail below and in the Business Plan, Kuvare’s overall business objectives for the Domestic Insurer include growing its core business by strengthening distribution relationships, developing proprietary products, enhancing operational capabilities and adding capital to maintain strong financial ratios.

Kuvare intends to introduce new products that will reach a broader customer base, invest additional capital to support growth and policyholder security and retain and add jobs in Cedar Rapids to support enhanced business operations.

Kuvare is in the process of identifying the new directors and officers to be appointed to the Domestic Insurer. Kuvare currently expects the new directors of the Domestic Insurer to be: Dhiren Jhaveri (Executive Chairman), Carlos Sierra, Brad Rosenblatt, Jesse Rogers, Kevin McAllister, Keoni Schwartz, David Burke and Eric Becker. Kuvare currently expects the new officers of the Domestic Insurer to be Brad Rosenblatt and Carlos Sierra. If additional directors or officers are selected at a later date, their biographical affidavits will be filed supplementally.

In connection with the closing of the acquisition, it is anticipated that Seller will provide certain transition services to Kuvare for the benefit of the Domestic Insurer pursuant to a transition services agreement attached hereto as Exhibit G (the “Transition Services Agreement”). Services under the Transition Services Agreement will be provided for up to two (2) years from the closing of the acquisition and will ensure continuity in service and operations for policyholders, agents and employees. All summaries and descriptions of, and references to, the Transition Services Agreement contained herein are qualified in their entirety by the terms and conditions of the Transition Services Agreement.

In addition, it is anticipated that Kuvare Insurance Services LP, an affiliate of Kuvare (“KIS”), will provide certain investment advisory services to the Domestic Insurer following the acquisition (including assistance with the selection and on-going management of third party asset managers). These services will be provided pursuant to an Investment Management Agreement for which a Form D has been filed with the Division under separate cover. KIS may enter into one or more sub-advisor arrangements with respect to services provided to the Domestic Insurer. All sub-advisors engaged by KIS on behalf of the Domestic Insurer would be non-affiliated independent third-party advisors, and all such sub-advisory arrangements would be based on and will contain commercially reasonable and arms-length third party terms. Fees payable by the Domestic Insurer to KIS are expected to be approximately \$1.4 million per year.

It is also anticipated that KIS and Kuvare will provide certain services to the Domestic Insurers pursuant to a Cost Sharing and Services Agreement, for which a Form D will be separately filed with the Division. Under such agreement, Kuvare would provide the following services: (1) product management, (2) reinsurance and underwriting, (3) human resources, (4) transportation, (5) legal, (6) tax, (7) audit services, (8) communications, (9) telecommunications, (10) information technology, (11) executive/financial strategic and operations management, (12) sales and market development, (13) compliance, (14) administration services, (15) product management, (16) actuarial and corporate valuation, (17) finance, (18) mergers, acquisitions and divestitures), (19) management of third-party contracts, (20) internal controls and (21) financial planning and analysis. Under such agreement, KIS would provide the following services: (1) development of asset and investment management strategy; (2) capital management (including reinsurance), (3) risk management and (4) strategic development.

Additionally, upon consummation of the transactions contemplated by the Stock Purchase Agreement, it is anticipated that approximately 70% of the Domestic Insurer’s business will be reinsured to Kuvare Life Re, a Bermuda domiciled Class E insurer affiliated with Kuvare

(“Kuvare Life Re”) pursuant to a reinsurance agreement for which a Form D has been filed with the Division under separate cover (the “Reinsurance Agreement”). The Reinsurance Agreement will be structured as coinsurance on a funds withheld basis. Kuvare Life Re will manage the funds withheld account assets with the assistance of third party asset managers.

Other than as described in this Item 5 and in the Business Plan attached hereto as Exhibit F, the Applicants have no present plans to cause the Domestic Insurer to declare a dividend, to liquidate the Domestic Insurer, to sell any of its assets, to merge the Domestic Insurer with any person or persons, or to make any other material change to the Domestic Insurer’s business operations, corporate structure or management.

After the consummation of the transactions contemplated by the Stock Purchase Agreement, the Applicants may review any of the Domestic Insurer’s assets, name, corporate structure, capitalization, dividend policy, operations, products and services, Articles of Incorporation, by-laws, management and personnel and, subject to applicable state insurance regulatory requirements, including those under applicable law, to make any further changes that the Applicants deem necessary in light of such review or future developments. In each case, all such actions will be undertaken in accordance with applicable law, including any required regulatory approvals.

**Item 6. Voting Securities to be Acquired.**

The Applicants will acquire 351 shares of common stock, representing 100% of the Domestic Insurer’s issued and outstanding voting securities.

**Item 7. Ownership of Voting Securities.**

United Fire & Casualty Company currently owns 100% of the outstanding voting securities of the Domestic Insurer. None of the Applicants, their affiliates or the persons listed in Item 3 currently beneficially owns any voting securities issued by the Domestic Insurer or any of its controlling persons. Except for rights to acquire voting securities provided for or referenced in the Stock Purchase Agreement, none of the Applicants, their affiliates or the persons listed in Item 3 has any right to acquire beneficial ownership of any voting security issued by the Domestic Insurer or any of its controlling persons.

**Item 8. Contracts, Arrangements or Understandings with Respect to Voting Securities of the Insurer.**

Other than as contemplated by the Stock Purchase Agreement, there are no written or oral agreements, arrangements or undertakings between the Applicants, their affiliates or the persons listed in Item 3 and any other person with respect to any voting security of the Domestic Insurer or any of its controlling persons.

**Item 9. Recent Purchases of Voting Securities.**

During the last 12 calendar months preceding the filing of this Application, none of the Applicants, their affiliates or the persons listed in Item 3 has purchased any voting securities of the Domestic Insurer or any of its controlling persons.

**Item 10. Recent Recommendations to Purchase.**

None of the Applicants, their affiliates, nor, to the knowledge of the Applicants, any person listed in Item 3 has made any recommendations to purchase any voting security of the Domestic Insurer during the 12 calendar months preceding the date of this Application. No one, based upon interviews with or at the suggestion of the Applicants, their affiliates, or, to the knowledge of the Applicants, any person listed in Item 3, has made any recommendations to purchase any voting security of the Domestic Insurer during the 12 calendar months preceding the date of this Application.

**Item 11. Agreements with Broker-Dealers.**

Except for the agreements with RBC Capital Markets, LLC, who acted as financial advisors in connection with the acquisition of the Domestic Insurer, no agreement, contract or understanding has been made by the Applicants or their affiliates with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender and no amount of fees, commissions, or other compensation have been paid by the Applicants or their affiliates to broker-dealers with regard to solicitation of voting securities of the Domestic Insurer for tender.

**Item 12. Financial Statements, Exhibits and Three-Year Financial Projections.**

(A) **Exhibits.**

A list of Exhibits to this Application immediately follows the response to this Item 12.

(B) **Financial Statements.**

The financial statements of the Kuvare Applicants are attached as Exhibit H-1 hereto. The financial statements attached as Exhibit H-1 include the following:

- (1) audited financial statements for Kuvare for 2015 and 2016 and unaudited financial statements for Kuvare for the quarter ended June 30, 2017. No prior audited financial statements exist for Kuvare, since Kuvare was formed on September 11, 2015.
- (2) unaudited financial statements for Kuvare UK Holdings Ltd. as filed with the Companies House in England for the year 2016. No other financial statements have been prepared by Kuvare UK Holdings Ltd.
- (3) unaudited financial statements for Kuvare Holdings LP for the year 2016 and for the quarterly period ended June 30, 2017. No other financial statements have been prepared for Kuvare Holdings LP.

Kuvare GP Holdings LP and Kuvare GP Holdings Ltd. have not prepared financial statements. However, their main purpose is to act as general partner and as such their assets and liabilities are not significant.

The financial statements of the Domestic Insurer are attached as Exhibit H-2 hereto. The financial statements attached as Exhibit H-2 include (1) audited financial statements of the

Domestic Insurer for 2012, 2013, 2014, 2015 and 2016 and (2) unaudited interim financial statements of the Domestic Insurer for the year to date ended June 30, 2017.

The financial statements of the Access Applicants are attached as Exhibit H-3 hereto. The financial statements attached as Exhibit H-3 include the following:

- (1) audited financial statements for Access Holdings GP LP for 2013, 2014, 2015 and 2016 and unaudited financial statements for Access Holdings GLP LP for the six-month period ended June 30, 2017. No prior audited financial statements exist for Access Holdings GP, LP, since Access Holdings GP, LP was formed on March 7, 2013.
- (2) unaudited financial statements for Access Holdings GP Company for 2013, 2014, 2015 and 2016 and the six-month period ended June 30, 2017. No other financial statements have been prepared by Access Holdings GP Company.
- (3) reviewed financial statements for Mr. Kevin McAllister as of August 31, 2015 and December 31, 2016. No other financial statements have been prepared for Mr. Kevin McAllister.

The financial statements of the Altamont Applicants are attached as Exhibit H-4 hereto. The financial statements attached as Exhibit H-4 include the following:

- (1) unaudited financial statements for ACP LI Holdings, LP for 2016. ACP LI Holdings, LP was formed on March 24, 2016. No other financial statements exist for ACP LI Holdings, LP.
- (2) unaudited financial statements for ACP LI Holdings GP Ltd. for 2016. ACP LI Holdings GP Ltd. was formed on March 17, 2016. No other financial statements exist for ACP LI Holdings GP Ltd.
- (3) reviewed financial statements for Mr. Jesse Rogers as of December 31, 2015 and December 31, 2016. No other financial statements have been prepared for Mr. Jesse Rogers.

The financial statements of Mr. Dhiren Jhaveri are attached as Exhibit H-8 hereto. The financial statements attached as Exhibit H-5 include reviewed financial statements as of June 30, 2015 and compiled financial statements as of December 31, 2016. No other financial statements have been prepared for Mr. Dhiren Jhaveri.

**(C) Tender Offers, Exchange Offers and Agreements to Acquire or Exchange any Voting Securities.**

The Applicants are not aware of any tender offers for, requests or invitations for tenders of, exchange offers for and agreements to acquire or exchange any voting securities of the Domestic Insurer or any additional soliciting material relating thereto. Except as otherwise noted in Item 5, the Applicants have not proposed or entered into any employment, consultation, advisory or management contracts concerning the Domestic Insurer. The Applicants expect to

review existing employment agreements with employees of the Domestic Insurer and its subsidiaries and certain of those employees may enter into new or revised employment arrangements.

None of the Domestic Insurer or the Applicants have issued annual reports to their respective shareholders.

An index of the Exhibits to this Application follows:\*

<b>Exhibit Number</b>	<b>Exhibit Title</b>
A	Stock Purchase Agreement <sup>†</sup>
B-1	Current Organizational Chart of the Domestic Insurer <sup>†</sup>
B-2	Simplified Post-Closing Organizational Chart of the Domestic Insurer and the Applicants <sup>†</sup>
B-3	Simplified Post-Closing Organizational Chart of the Altamont Applicants* <sup>†</sup>
B-4	Simplified Post-Closing Organizational Chart of the Access Applicants* <sup>†</sup>
B-5	Shareholders Agreement*
B-6	Confidential Altamont Supplement*
C-1	List of Directors and Officers of the Kuvare Applicants <sup>†</sup>
C-2	List of New Directors and Officers of the Domestic Insurer <sup>†</sup>
C-3	List of Directors and Officers of the Access Applicants
C-4	List of Directors and Officers of the Altamont Applicants
D	Biographical Affidavits* <sup>†</sup>
E-1	Equity Commitment Letter <sup>†</sup>
E-2	Debt Commitment Letter* <sup>†</sup>

---

\* Applicants are requesting confidential treatment with respect to the information contained in the exhibits marked with an asterisk and will be filing such information under separate cover as part of the Confidential Supplement to this Application.

<sup>†</sup> On file with the Division as part of the Original Application.

<b>Exhibit Number</b>	<b>Exhibit Title</b>
F	Business Plan (and Three-Year Financial Projections)* <sup>†</sup>
G	Transition Services Agreement <sup>†</sup>
H-1	Financial Statements of the Kuvare Applicants* <sup>†</sup>
H-2	Financial Statements of the Domestic Insurer <sup>†</sup>
H-3	Financial Statements of the Access Applicants*
H-4	Financial Statements of the Altamont Applicants*
H-5	Financial Statements of Mr. Dhiren Jhaveri*

**Item 13. Agreement Requirements for Enterprise Risk Management.**

The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control occurs.

**Item 14. Signature and Certification.**


*[Signature Pages Follow.]*

SIGNATURE


Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kuvare US Holdings, Inc. has caused this application to be duly signed on its behalf in the City of KOHALA and State of HAWAII, on the 17<sup>th</sup> day of February, 2018. COAST

(SEAL):

KUVARE US HOLDINGS, INC.

By:   
Name: Dhiren Jhaveri  
Title: Director and Chief Executive Officer


Attest:

  
(Signature of Officer)

General Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Kuvare US Holdings, Inc. that deponent is a director and the Chief Executive Officer of such company; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Dhiren Jhaveri



SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kuvare UK Holdings Limited has caused this application to be duly signed on its behalf in the City of KOHOLA and State of HAWAII, on the 17<sup>th</sup> day of February, 2018. COAST

(SEAL):

KUVARE UK HOLDINGS LIMITED

By:   
Name: Dhiren Jhaveri  
Title: Director and Chief Executive Officer


Attest:

  
(Signature of Officer)

General Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Kuvare UK Holdings Limited that deponent is a director and the Chief Executive Officer of such company; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Dhiren Jhaveri

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kuvare Holdings LP has caused this application to be duly signed on its behalf in the City of KOHALA and State of HAWAII, on the 17<sup>th</sup> day of February, 2018. COAST

(SEAL):

KUVARE HOLDINGS LP

By: Kuvare GP Holdings LP, its general partner  
By: Kuvare GP Holdings Ltd., its general partner

By: [Signature]  
Name: Dhiren Jhaveri  
Title: Director and Chief Executive Officer

Attest:

[Signature]  
(Signature of Officer)

General Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Kuvare Holdings LP that deponent is a director and the Chief Executive Officer of Kuvare GP Holdings Ltd., which is the general partner of Kuvare GP Holdings LP, which is the general partner of Kuvare Holdings LP; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By: [Signature]  
Name: Dhiren Jhaveri

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kuvare GP Holdings LP has caused this application to be duly signed on its behalf in the City of KOHOLA and State of HAWAII, on the 17<sup>th</sup> day of February, 2018. COAST

(SEAL):

KUVARE GP HOLDINGS LP

By: Kuvare GP Holdings Ltd., its general partner

By: [Signature]

Name: Dhiren Jhaveri

Title: Director and Chief Executive Officer

Attest:

[Signature]  
(Signature of Officer)

General Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Kuvare GP Holdings LP that deponent is a director and the Chief Executive Officer of Kuvare GP Holdings Ltd., which is the general partner of Kuvare GP Holdings LP; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By: [Signature]  
Name: Dhiren Jhaveri


SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kuvare GP Holdings Ltd. has caused this application to be duly signed on its behalf in the City of KOHALA and State of HAWAII, on the 17<sup>th</sup> day of February, 2018. COAST

(SEAL):

KUVARE GP HOLDINGS LTD.

By:   
Name: Dhiren Jhaveri  
Title: Director and Chief Executive Officer

Attest:  
  
(Signature of Officer)  
General Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Kuvare GP Holdings Ltd. that deponent is a director and the Chief Executive Officer of such company; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Dhiren Jhaveri

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Dhiren Jhaveri has caused this application to be duly signed on his behalf in the City of KOHALA COAST and State of HAWAII, on the 17<sup>th</sup> day of February, 2018.

DHIREN JHAVERI

  
\_\_\_\_\_

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
\_\_\_\_\_

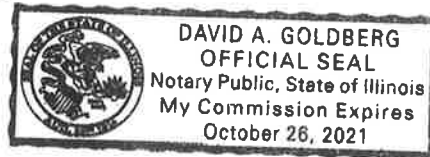
Name: Dhiren Jhaveri

Subscribed and sworn to me this 17<sup>th</sup> day of FEB, 2018

By:   
\_\_\_\_\_

(Signature of Notary)

(SEAL):




SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Access Holdings GP LP has caused this application to be duly signed on its behalf in the City of \_\_\_\_\_ and State of \_\_\_\_\_, on the 14th day of February, 2018.

(SEAL):

ACCESS HOLDINGS GP LP

By: Access Holdings GP ~~Management~~ Company, its general partner

By:   
Name: Kevin McAllister  
Title: Director


Attest:

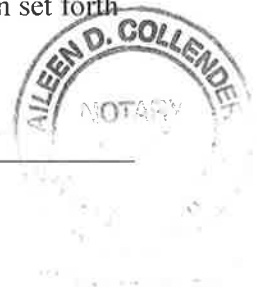
  
(Signature of Officer)

Outside counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February, 2018 for and on behalf of Access Holdings GP LP that deponent is a director of Access Holdings GP ~~Management~~ Company, which is the general partner of Access Holdings GP LP; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Aileen D. Colleder



SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Access Holdings GP ~~Management~~ Company has caused this application to be duly signed on its behalf in the City of \_\_\_\_\_ and State of \_\_\_\_\_, on the 4<sup>th</sup> day of February, 2018.

(SEAL):

ACCESS HOLDINGS GP ~~MANAGEMENT~~  
COMPANY

By: [Signature]  
Name: Kevin McAllister  
Title: Director

Attest:

[Signature]  
(Signature of Officer)

Outside Counsel  
(Title)

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of Access Holdings GP ~~Management~~ Company that deponent is director of such company; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By: [Signature]  
Name: Aileen Colender



My Commission Expires  
06/02/2018

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Kevin McAllister has caused this application to be duly signed on his behalf in the City of \_\_\_\_\_ and State of \_\_\_\_\_, on the 14th day of February, 2018.

KEVIN MCALLISTER



CERTIFICATION

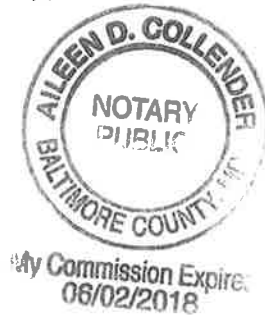
The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Kevin McAllister

Subscribed and sworn to me this 14 day of February, 2018

By:   
(Signature of Notary)

(SEAL):







SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, ACP LI Holdings GP Ltd. has caused this application to be duly signed on its behalf in the City of Palo Alto and State of California, on the 14<sup>th</sup> day of February, 2018.

(SEAL):

ACP LI HOLDINGS GP LTD.

By:   
Name: Keoni Schwartz  
Title: Director

Attest:   
(Signature of Officer)

Jesse Rogers  
(Title) Director

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of ACP LI Holdings GP Ltd. that deponent is Director of such company; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Keoni Schwartz


SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, ACP LI Holdings, LP has caused this application to be duly signed on its behalf in the City of Palo Alto and State of California, on the 14<sup>th</sup> day of February, 2018.

(SEAL):

ACP LI HOLDINGS, LP

By: ACP LI Holdings GP Ltd., its general partner

By:   
Name: Keoni Schwartz  
Title: Director

Attest:

  
(Signature of Officer)

Jesse Rogers  
(Title) Director

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 for and on behalf of ACP LI Holdings, LP that deponent is a Director of ACP LI Holdings GP Ltd., which is the general partner of ACP LI Holdings, LP; and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By:   
Name: Keoni Schwartz

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Iowa Administrative Rule 191-45.5, Jesse Rogers has caused this application to be duly signed on his behalf in the City of Palo Alto and State of California on the 14<sup>th</sup> day of February, 2018.

JESSE ROGERS



CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 14, 2018 and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

By: 

Name: Jesse Rogers

Subscribed and sworn to me this \_\_\_\_ day of \_\_\_\_\_, 2018

By: \_\_\_\_\_  
(Signature of Notary)

(SEAL):

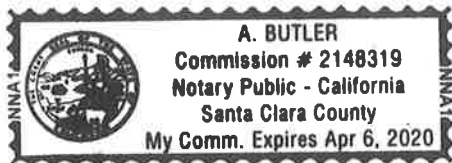
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Santa Clara

Subscribed and sworn to (or affirmed) before me on this 14<sup>th</sup>  
day of February, 2018, by Jesse Rogers

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature

A. Butler

STOCK PURCHASE AGREEMENT

dated as of September 18, 2017

among

UNITED FIRE & CASUALTY COMPANY,

KUVARE US HOLDINGS, INC.

and

UNITED FIRE GROUP, INC.  
(solely for purposes of Section 14.18)

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## EXHIBITS

Exhibit A	Form of Transition Services Agreement
Exhibit B	Form of Transitional Trademark License Agreement
Exhibit C	Form of Intellectual Property License Agreement
Exhibit D	Form of Trademark Assignment

This STOCK PURCHASE AGREEMENT (including all schedules, exhibits and amendments hereto, this “Agreement”), dated as of September 18, 2017, is made by and among United Fire & Casualty Company, an Iowa corporation (“Seller”), Kuvare US Holdings, Inc., a Delaware corporation (“Buyer”) and, solely for purposes of Section 14.18, United Fire Group, Inc. (“UFG”).

### **PRELIMINARY STATEMENTS**

A. Seller owns all of the issued and outstanding Capital Stock (the “Shares”) of United Life Insurance Company, an Iowa corporation (the “Company”);

B. Seller desires to sell to Buyer, and Buyer desires to purchase from Seller and its Affiliates, the Shares upon the terms and subject to the conditions set forth herein;

C. Concurrently with the execution and delivery of this Agreement, and as a condition to the willingness of Seller to enter into this Agreement, Buyer has delivered to Seller the executed commitment letter of Sponsor, dated as of the date of this Agreement (the “Equity Commitment Letter”), pursuant to which Sponsor has agreed to fund, subject to the terms and conditions contained in the Equity Commitment Letter, the Equity Financing; and

D. On the date hereof, certain limited partners of Sponsor have entered into support letters with Seller with respect to the transactions contemplated by this Agreement, such support letters having the terms and conditions specified therein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties to this Agreement agree as follows:

## Article I DEFINITIONS

Section 1.01 Certain Defined Terms. Capitalized terms used in this Agreement have the meanings specified or referred to in this Section 1.01.

“2017 Bonus Pool” shall have the meaning set forth in Section 9.01(f).

“Accounts Date” means March 31, 2017.

“Acquired Business” shall have the meaning set forth in Section 8.08(c)(ix).

“Action” means any claim, action, suit, litigation, arbitration, investigation, hearing, charge, complaint, demand or proceeding by or before any Governmental Authority or arbitrator or arbitration panel or similar Person or body.

“Actuarial Appraisal” shall have the meaning set forth in Section 5.21(a).

“Affiliate” means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person.

“After-Tax Basis” means that, in determining the amount of the payment necessary to indemnify and hold harmless any party against Losses, the amount of such Losses shall be determined net of any cash Tax savings actually realized by the Indemnified Party (or any Affiliate thereof) in the taxable year during which such Losses are incurred as the result of sustaining or paying such Losses or in the succeeding taxable year.

“Agreement” shall have the meaning set forth in the preamble hereto.

“Assigned Trademarks” means the Trademarks to be assigned to the Company pursuant to the Trademark Assignment.

“Burdensome Condition” shall have the meaning set forth in Section 7.03(d).

“Business” means the business conducted by the Company as of the Accounts Date, including issuing, underwriting, selling, marketing and administering (i) income and deferred annuity contracts, (ii) individual life insurance policies and (iii) disability insurance contracts.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in the City of New York, New York are required or authorized by Law to be closed.

“Business Employees” means, collectively, those individuals employed by Seller or any of its Affiliates who are (a) listed in Schedule 1.01(a), and (b) those individuals who, subsequent to the date hereof (subject to Section 7.01(a)), start to provide substantial services to the Business. An individual who provides “substantial services” means an individual who provides services to the

Business for at least seventy-five percent (75%) of the total business time during which he or she provides services to Seller or any of its Affiliates.

“Buyer” shall have the meaning set forth in the preamble hereto.

“Buyer Disclosure Schedule” means the disclosure schedule dated as of the date hereof delivered by Buyer to Seller in connection with the execution and delivery of this Agreement.

“Buyer Indemnified Parties” shall have the meaning set forth in Section 13.01(a).

“Buyer Liens” means any Liens arising as a result of any agreement of, or any Governmental Order binding on, or any act or omission by, Buyer or its designated assignee(s) hereunder, but not Seller or any of its Affiliates.

“Buyer Material Adverse Effect” means a material impairment or delay of the ability of any of Buyer or the Buyer Parties to perform their material obligations under this Agreement and the other Transaction Agreements, taken as a whole, including consummation of the transactions contemplated hereby or thereby.

“Buyer Party” means each Affiliate of Buyer that is, or is contemplated by this Agreement to become at the Closing, a party to one or more Transaction Agreements. For clarity, the Company shall not be deemed a “Buyer Party” hereunder.

“Buyer Releasor” shall have the meaning set forth in Section 7.08(c).

“Buyer Transaction Agreements” shall have the meaning set forth in Section 6.01(b).

“Capital Stock” means any capital stock of, or other type of equity ownership interest in, as applicable, a Person.

“Closing” shall have the meaning set forth in Section 3.01.

“Closing Date” shall have the meaning set forth in Section 3.01.

“Code” means the United States Internal Revenue Code of 1986.

“Company” shall have the meaning set forth in the preliminary statements hereto.

“Company’s IT Systems” means the IT Systems owned or leased by or licensed to the Company.

“Company Material Adverse Effect” means (a) a material adverse effect on the business, operations, assets, liabilities, results of operations or condition (financial or otherwise) of the Company, taken as a whole; provided, that none of the following (or the results thereof) shall constitute or be deemed to contribute to a Company Material Adverse Effect, and otherwise shall not be taken into account in determining whether a Company Material Adverse Effect has occurred or would be reasonably expected to occur: any adverse fact, circumstance, change or effect arising

out of, resulting from or attributable to (i) changes in the United States or global economy or capital or financial markets, in general, including changes in interest or exchange rates or a downturn in equity markets, (ii) changes in political conditions generally of the United States and any natural disasters, pandemics, hostilities, acts of war, sabotage, terrorism or military actions, (iii) changes in economic conditions generally affecting participants in the industries in which the Company operates, (iv) the announcement to the public of this Agreement and the transactions contemplated hereby and the identity of Buyer (including effects related to compliance with the covenants contained herein (other than any covenants to cause the Company to conduct its business in the ordinary course) or the failure to take any action as a result of any restrictions or prohibitions set forth herein and loss of, or disruption in, any customer, supplier and/or vendor relationships as a result of the announcement of transactions contemplated by this Agreement to the public), (v) any changes or prospective changes in Law, GAAP, SAP or the enforcement or interpretation thereof, (vi) any action taken by Buyer or its Affiliates with respect to the transactions contemplated hereby, (vii) any change in the credit, financial strength or other ratings of Seller or any of its Affiliates, including the Company (provided that this clause (vii) shall not by itself exclude the underlying causes of any such change), (viii) any failure by the Company to achieve any earnings, premiums written, or other financial projections or forecasts (provided that this clause (viii) shall not by itself exclude the underlying causes of any such failure) or (ix) any effect or circumstance that is, and whose consequences are, cured in their entirety by Seller prior to the Closing; provided, that, notwithstanding the foregoing, with respect to clauses (i), (ii), (iii) and (v), such fact, circumstance, change or effect will be taken into account in determining whether a Company Material Adverse Effect has occurred or would be reasonably expected to occur to the extent such fact, circumstance, change or effect disproportionately affects the Company as compared to other life insurance companies operating in the United States that issued insurance policies and annuity contracts similar to the Insurance Contracts or (b) a material impairment or delay of the ability of any of Seller or the Seller Parties to perform their material obligations under this Agreement and the other Transaction Agreements, taken as a whole, including consummation of the transactions contemplated hereby or thereby.

“Company Releasee” shall have the meaning set forth in Section 7.08(a).

“Comparable Position” means, with respect to any Business Employee, employment with Buyer or one of its Affiliates in a position with duties, responsibilities and reporting relationships substantially similar to those applicable to such Business Employee’s employment with Seller or its Affiliates immediately prior to the Closing Date, with the same base salary and target annual bonus opportunity (i.e., the annual bonus determined as a percentage of annual base salary, based on the target bonus funding percentage established under the applicable bonus plan, policy or program for the calendar year in which the Closing Date occurs) as were provided immediately prior to the Closing Date, with employee benefits (which for this purpose shall consist of medical, dental, life, disability, parking subsidies, wellness benefits and paid time off) that are at least as favorable in the aggregate as those provided to the Business Employee immediately prior to the Closing Date (excluding, for all purposes of this definition, long-term incentive compensation (including equity-based awards), defined benefit pension benefits and post-employment medical and life insurance benefits), and with 401(k) benefits that shall be no less favorable than those provide to the Business Employee immediately prior to the Closing Date and as described more

fully on Schedule 1.01(g) of the Seller Disclosure Schedule, in a location no more than twenty-five (25) miles from the Business Employee's principal work location immediately prior to the Closing Date.

"Competing Business" shall have the meaning set forth in Section 8.08(a).

"Confidentiality Agreement" shall have the meaning set forth in Section 8.03(a).

"Control" means, with respect to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms *"Controlled," "Controlled by," "under common Control with"* and *"Controlling"* shall have correlative meanings.

"Deemed Tax Liability" means with respect to a Taxable year or period, the aggregate of (a) any actual federal, state, local and foreign Tax for which the Company is liable to the extent such Tax is not determined on a combined, consolidated or unitary basis, and (b) for Taxes determined on a combined, consolidated or unitary basis, the U.S. regular federal income Tax and state, local and foreign tax for which the Company would be liable if such Tax were computed assuming that (i) the Company (but not Seller or any Affiliate of Seller that is not the Company) was treated as a member of a single affiliated group filing a consolidated return without regard to the restrictions imposed by Section 1504(b) of the Code, (ii) no Tax Attributes arising prior to the Accounts Date were available for use to offset any Tax item for such Taxable year or period, (iii) Tax Attributes of the Company arising between the Accounts Date and Closing Date were available for use and may be carried over or back to other periods for which Deemed Tax Liability is calculated, (iv) such Tax was calculated without regard to the effect of the transactions contemplated pursuant to this Agreement, including any income or gain triggered by deconsolidation of the Company from the Seller's Group as a result of Buyer's acquisition of the Shares and (v) such Tax was calculated without regard to any transaction between the Accounts Date and the Closing outside of the ordinary course of business of the Company consistent with past practices.

"Distributor" shall have the meaning set forth in Section 5.15(a).

"Effective Hire Date" shall have the meaning set forth in Section 9.01(a).

"Effective Time" means 11:59:59 p.m., Central time, on the Closing Date.

"Eligible Insurance Proceeds" shall have the meaning set forth in Section 13.06(e).

"Employee Benefit Plans" means each "employee benefit plan" within the meaning of Section 3(3) of ERISA, and each stock option or other equity based, bonus, long-term incentive, deferred compensation, fringe benefit or severance plan or other plan, program arrangement or agreement, whether written or unwritten in each case: (a) that is maintained, contributed to or required to be contributed to by Seller or its Affiliates or any Person that, together with Seller or its Affiliates, is treated as a single employer under Section 414(b), (c) or (m) of the Code and (b) in which there exists any Liability with respect to current or former independent contractors, consultants or directors of the Company, Business Employees or former employees who would be

Business Employees if they were currently employed by Seller or its Affiliates (or any of their respective dependents), or in respect of which the Company has any Liability.

“Employment Offer Date” means the date sixty (60) days prior to the anticipated Closing Date.

“Environmental Law” means any Law relating to pollution or protection of the environment, including the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Equity Commitment Letter” shall have the meaning set forth in the preliminary statements hereto.

“Equity Financing” shall have the meaning set forth in Section 6.10(a).

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means, with respect to any Person, any trade or business, whether or not incorporated, which, together with such Person, is treated as a single employer under Section 414 of the Code.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Excluded Employee” means each Business Employee listed on Schedule 1.01(f) of the Seller Disclosure Schedule.

“Excluded Taxes” shall have the meaning set forth in Section 10.01(a).

“Financial Statements” shall have the meaning set forth in Section 5.03(b).

“GAAP” means the accounting principles and practices generally acceptable in the United States at the relevant time.

“GAAP Financial Statements” means the financial statements of the Company prepared in accordance with GAAP for periods in the years ended December 31, 2014, 2015 and 2016.

“Governmental Approval” means any consent, approval, license, permit, order, qualification, authorization of, or registration or other action by, or any filing with or notification to, any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, state or local or any supra-national, political subdivision, governmental, regulatory or administrative authority, instrumentality, agency, body or commission, self-regulatory organization or any court, tribunal, or judicial or arbitral body.

“Governmental Order” means any binding and enforceable order, writ, judgment, injunction, decree, stipulation, determination, award or arbitral award entered by or with any Governmental Authority.

“Griffith” means Griffith, Ballard & Company.

“Guaranty” shall have the meaning set forth in Section 14.18.

“Hazardous Materials” means any chemical, material or substance defined or regulated under any Environmental Law.

“Inactive Business Employee” means any Business Employee who is on an approved paid or unpaid leave of absence, such as a military, maternity or medical leave of absence, or leave under the Family and Medical Leave Act of 1993, on the Closing Date; provided, that with respect to any Person who is on a paid or unpaid leave of absence other than military leave and except as otherwise provided by applicable Law, such Business Employee is required to return to active employment within one (1) year of the Closing Date.

“Indemnified Party” shall have the meaning set forth in Section 13.03(a).

“Indemnifying Party” shall have the meaning set forth in Section 13.03(a).

“Individual Bonus” shall have the meaning set forth in Section 9.01(f).

“Initial Outside Date” shall have the meaning set forth in Section 12.01(b).

“Insurance Contracts” means the insurance or annuity policies and contracts, together with all binders, slips, certificates, endorsements and riders thereto, issued, renewed, assumed or entered into by the Company prior to the Closing.

“Intellectual Property” means: (a) patents, patent applications, provisional patent applications (including any and all divisions, continuations, continuations-in-part, extensions and reissues thereof) (“Patents”), (b) trademarks, trade names, trade dress, logos, service marks, domain names, social media usernames and other digital identifiers or indicia of origin (including registrations and applications therefor) and any goodwill associated therewith, any and all common Law rights therein, and registrations and applications for registration thereof, and all reissues, extensions and renewals of any of the foregoing (“Trademarks”), (c) copyrightable works (including Software) and copyrights, whether or not registered, and pending applications to register the same (“Copyrights”), (d) trade secrets, inventions, processes, models, know-how, ideas, research and development, data and databases, customer lists and confidential information (“Trade Secrets”) and (e) all other intellectual property rights, arising under the applicable Laws of the United States.

“Intercompany Agreements” shall have the meaning set forth in Section 5.11(a).

“Interest Rate” means an interest rate per annum equal to the average of the three-month LIBOR for United States dollars that appears on page LIBOR 01 (or a successor page) of the Reuters



Telerate Screen as of 11:00 a.m. (London time) on each day during the period for which interest is to be paid.

“Investment Assets” shall have the meaning set forth in Section 5.16(a).

“Investment Guidelines and Policies” shall have the meaning set forth in Section 5.16(d).

“Intellectual Property License Agreement” means the Intellectual Property License Agreement between Buyer and Seller to be entered into pursuant to Section 8.06 and which shall be substantially in the form attached hereto as Exhibit C.

“IRS” means the United States Internal Revenue Service.

“IT System Separation Plan” shall have the meaning set forth in Section 8.09.

“IT Systems” means the hardware, Software, data, databases, data communication lines, network and telecommunications equipment, Internet-related information technology infrastructure, wide area network and other information technology equipment, owned, leased or licensed by the Seller or any of its Affiliates (including Company) and used in the Business.

“Knowledge” means: (a) in the case of Seller, the actual knowledge, after reasonable inquiry, of those Persons listed in Schedule 1.01(b) and (b) in the case of Buyer, the actual knowledge, after reasonable inquiry, of those Persons listed in Schedule 1.01(c).

“Law” means any United States or non-United States federal, state, local statute, law, ordinance, regulation, code, Governmental Order, rule of any applicable self-regulatory organization or other requirement or rule of law.

“Leakage” shall have the meaning set forth on Schedule 1.01(d) hereto.

“Liabilities” means any and all debts, liabilities, commitments, claims, causes of action, losses, damages, deficiencies or obligations of any kind or character, whether direct or indirect, accrued or fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable, disputed or undisputed, joint or several, secured or unsecured, liquidated or unliquidated, asserted or unasserted, whenever (including in the past, present or future) and however arising (including out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by GAAP or SAP to be reflected in any financial statements or disclosed in the notes thereto.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, security interest, claim, charge, lease, easement, conditional sale or other title retention agreement, defect in title or other similar restriction or similar encumbrance or lien.

“Losses” means any and all losses, costs, charges, settlement payments, awards, judgments, fines, penalties, damages, expenses (including reasonable attorneys’, actuaries’, accountants’ and other professionals’ fees, disbursements and expenses), Liabilities, claims or reasonable corrective or remedial costs.

“Material Contract” shall have the meaning set forth in Section 5.10(a).

“New Outside Date” means the Outside Date as extended pursuant to clause (i) or (iii) of Section 12.01(b).

“Obligations” shall have the meaning set forth in Section 14.18.

“Offer of Employment” shall have the meaning set forth in Section 9.01(a).

“ORSA” shall have the meaning set forth in Section 5.22(b).

“Outside Date” shall have the meaning set forth in Section 12.01(b).

“Owned Intellectual Property” shall have the meaning set forth in Section 5.08(a).

“Permits” shall have the meaning set forth in Section 5.07(a).

“Permitted Leakage” shall have the meaning set forth on Schedule 1.01(e) hereto.

“Permitted Liens” means each of the following: (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings to the extent adequate reserves in respect thereof have been established and taken into account as a Liability in preparing the Financial Statements as of the Accounts Date, (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law for amounts not yet due that were incurred in the ordinary course of business, (c) Liens incurred or deposits made to a Governmental Authority in connection with a governmental authorization, registration, filing, license, permit or approval, (d) Liens incurred or deposits made in the ordinary course of business consistent with past practices in connection with workers’ compensation, unemployment insurance or other types of social security, (e) defects of title, easements, rights of way, covenants, restrictions and other similar Liens of record not materially affecting the use or enjoyment of the applicable property by the Business or otherwise materially interfering with the ordinary conduct of business, (f) zoning, building and other generally applicable land use restrictions, (g) Buyer Liens, (h) Liens incurred in the ordinary course of business consistent with past practices since the date of the most recent Financial Statements that are not material in amount and do not materially interfere with the present or reasonably contemplated used of the relevant asset and (i) Liens created in connection with investment transactions, including broker liens, securities lending transactions and repurchase agreements executed in the ordinary course of business consistent with past practices.

“Person” means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, association or organization or other legal entity.

“Post-Accounts Date Taxable Period” means a Taxable period (including a partial Taxable period) that begins after the Accounts Date.

“Pre-Accounts Date Taxable Period” means a Taxable period (including a partial Taxable period) that ends on or before the Accounts Date.

“Purchase Price” shall have the meaning set forth in Section 2.02.

“Reinsurance Agreement” shall have the meaning set forth in Section 5.14.

“Representative” of a Person means the directors, officers, employees, advisors, agents, stockholders, consultants, independent accountants, investment bankers, counsel or other representatives of such Person and of such Person’s Affiliates.

“Reserves” means the aggregate statutory actuarial reserves and other actuarial amounts held in respect of the Insurance Contracts.

“Restricted Person” shall have the meaning set forth in Section 8.08(b).

“SAP” means the statutory accounting principles and practices prescribed by the Iowa Insurance Division as in effect at the relevant time.

“SEC” means the United States Securities and Exchange Commission.

“Section 338(h)(10) Election” shall have the meaning set forth in Section 10.07(a).

“Securities Act” means the Securities Act of 1933, as amended.

“Seller” shall have the meaning set forth in the preamble hereto.

“Seller Annual Incentive Plan” means Seller’s Annual Incentive Plan and each other annual incentive compensation maintained by Seller or its Affiliates for the benefit of Business Employees.

“Seller Disclosure Schedule” means the disclosure schedule dated as of the date hereof delivered by Seller to Buyer in connection with the execution and delivery of this Agreement, as supplemented pursuant to, and subject to the terms of, Section 7.07.

“Seller FSA” shall have the meaning set forth in Section 9.01(e)(iii).

“Seller Guaranties” shall have the meaning set forth in Section 8.06.

“Seller Indemnified Parties” shall have the meaning set forth in Section 13.02(a).

“Seller Names and Marks” shall have the meaning set forth in Section 8.05(a).

“Seller Party” means each Affiliate of Seller, other than the Company, that is, or is contemplated by this Agreement to become at the Closing, a party to one or more Transaction Agreements.

“Seller Releasee” shall have the meaning set forth in Section 7.08(c).

“Seller Releasor” shall have the meaning set forth in Section 7.08(a).

“Seller Severance Plan” means the severance pay plan set forth in Section 9.01(e)(i) of the Seller Disclosure Schedule.

“Seller Tax Cost” shall have the meaning set forth in Section 10.07(a).

“Seller’s Group” shall mean any group of companies that file Tax Returns and computes income for Tax purposes on a combined, consolidated or unitary basis that includes Seller.

“Seller’s IT Systems” means the IT Systems owned or leased by or licensed to Seller or any of its Affiliates to the extent used in connection with the Business.

“Shared Contracts” means contracts pursuant to which a non-affiliated third party provides material services or benefits to Seller or one or more of its Affiliates (including the Company) in respect of both the Business and any other business of Seller and its Affiliates (other than the Company).

“Shares” shall have the meaning set forth in the preliminary statements hereto.

“Software” means all computer software and mobile digital applications, including assemblers, applets, compilers, source code, object code, binary libraries, development tools, design tools, firmware, middleware, and user interfaces, in any form or format, however fixed, and all associated documentation.

“Sponsor” means Kuvare Holdings LP.

“Statutory Statements” shall have the meaning set forth in Section 5.03(b).

“Subsidiary” of any Person means any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person, whether incorporated or unincorporated, that is a legal entity, trust or estate of which (or in which) at the time of determination (a) the issued and outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person (irrespective of whether at the time Capital Stock of any other class or classes of such corporation or other Person shall or might have voting power upon the occurrence of any contingency), (b) more than fifty percent (50%) of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than fifty percent (50%) of the beneficial interest in such trust or estate, is directly or indirectly owned by such Person.

“Tax” or “Taxes” means all income, premium, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, payroll, stamp taxes or other taxes, (whether payable directly or by withholding) imposed by any Tax Authority, together with any interest and any penalties thereon or additional amounts with respect thereto; provided, that any guarantee fund assessment or escheatment obligation shall not be treated as a Tax.

“Tax Accountant” shall have the meaning set forth in Section 10.02(a)(ii).

“Tax Attributes” shall mean net operating loss carryovers, loss from operations, alternative minimum tax net operating losses, capital loss carryovers, foreign tax credits, minimum tax credit and general business credits.

“Tax Authority” means any Governmental Authority having jurisdiction over the assessment, determination, collection or imposition of any Tax.

“Tax Indemnity Expiration Date” means the sixtieth (60<sup>th</sup>) day following the expiration of the applicable statute of limitations for the applicable Tax.

“Tax Returns” means all returns, reports and claims for refunds (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax Authority relating to Taxes and, in each case, any amendments thereto.

“Tax Sharing Agreement” means the Second Amended and Restated Federal Income Tax Allocation Agreement, effective as of January 1, 2012, among Seller, the Company and the other parties listed in Appendix A thereto.

“Third-Party Claim” shall have the meaning set forth in Section 13.03(a).

“Third-Party Consent” means any approval, authorization, consent, license or permission of, or waiver or other action by, or notification to, any non-affiliated third party (other than a Governmental Authority).

“Trademark Assignment” means the Trademark Assignment between United Fire Group, Inc. and the Company, which shall be substantially in the form attached hereto as Exhibit D.

“Trademarks” shall have the meaning set forth in the definition of “Intellectual Property.”

“Transaction Agreements” means, collectively, this Agreement, the Transition Services Agreement, the Transitional Trademark License Agreement, the Intellectual Property License Agreement and the Trademark Assignment.

“Transferred Employee” shall have the meaning set forth in Section 9.01(a).

“Transferred Employee Equity Recipient” shall have the meaning set forth in Section 9.01(g).

“Transition Services Agreement” means the Transition Services Agreement between Buyer and Seller, to be entered into pursuant to Section 8.06 and which shall be substantially in the form attached hereto as Exhibit A.

“Transitional Trademark License Agreement” means the transitional trademark license agreement between Buyer and Seller, to be entered into pursuant to Section 8.05 and which shall be substantially in the form attached hereto as Exhibit B.

“UFG” has the meaning set forth in the preamble.

“WARN ACT” means the federal Worker Adjustment and Retraining Notification Act, and any comparable or analogous state, local, foreign and other Laws.

## **ARTICLE II PURCHASE AND SALE**

Section 2.01 Purchase and Sale of the Shares. ON THE TERMS AND SUBJECT TO THE CONDITIONS SET FORTH IN THIS AGREEMENT, AT THE CLOSING, SELLER SHALL SELL, CONVEY, ASSIGN, TRANSFER AND DELIVER TO BUYER, FREE AND CLEAR OF ALL LIENS OTHER THAN BUYER LIENS, AND BUYER SHALL PURCHASE, ACQUIRE AND ACCEPT FROM SELLER, ALL OF SELLER’S RIGHT, TITLE AND INTEREST IN AND TO THE SHARES.

Section 2.02 Purchase Price. THE PURCHASE PRICE PAYABLE BY BUYER TO SELLER FOR THE SHARES SHALL BE AN AMOUNT EQUAL TO (A) \$280,000,000, *MINUS* (B) THE AMOUNT OF ANY LEAKAGE OF WHICH SELLER HAS GIVEN BUYER NOTICE PRIOR THE CLOSING PURSUANT TO SECTION 2.03(A) (THE “PURCHASE PRICE”).

Section 2.03 Leakage.

(a) From the date hereof until the date that is two (2) Business Days prior to the anticipated Closing Date, Seller shall notify Buyer promptly upon becoming aware, of the payment or incurrence (including pursuant to any contract or agreement providing therefor) of any Leakage by the Company, and shall provide to Buyer such information as Buyer may reasonably request relating thereto. Not less than two (2) Business Days prior to the anticipated Closing Date, Seller shall provide to Buyer a statement identifying in reasonable detail all amounts of Leakage that, to Knowledge of Seller, have occurred or will occur on or prior to the Closing Date.

(b) Following the Closing, but subject to Section 2.03(c), Seller shall pay Buyer (or the Company, as Buyer may direct) a sum equal to the amount of any Leakage that was not included in the calculation of the Purchase Price plus any reasonable and documented out-of-pocket legal and other professional fees, disbursements and expenses actually paid by Buyer or its Affiliates in connection with enforcing such recovery. The parties shall cooperate in good faith to determine the amount of such Leakage, provided that if the amount of Leakage has not been agreed between the parties within twenty (20) Business Days after Buyer notifies Seller of any such Leakage, either party may request that face to face discussions be conducted between the chief executive officer of Seller and the chief executive officer of Buyer. If such individuals are unable to resolve the dispute within five (5) Business Days of the request for such discussions by either party, Buyer may seek to enforce its right to recover therefor in accordance with Section 14.11. Any such payment shall be made within five (5) Business Days following the date that the amount of such Leakage is determined as provided in this Section.

(c) Seller shall have no liability pursuant to Section 2.03(b) unless Buyer has provided written notice to Seller, including supporting information regarding the existence and amount of Leakage that was not included in the calculation of the Purchase Price to the extent such

information is reasonably available to Buyer, on or before the date that is eighteen (18) months following the Closing Date.

(d) Notwithstanding anything in this Agreement to the contrary, Buyer shall not be entitled to any remedy in respect of any Leakage other than payment pursuant to this Section 2.03; provided that nothing in this Section shall limit the obligations of Seller under Section 7.01 or the remedies of Buyer hereunder in case of a breach thereof.

(e) Any payments in respect of Leakage paid pursuant to Section 2.03(b) shall be treated as an adjustment to the amount of the Purchase Price allocated to the Shares for United States and applicable state and local income Tax purposes.

(f) During the eighteen (18) months following the Closing, Seller shall and shall cause its Affiliates to make available to Buyer interviews with such individuals, and such information and books and records, work papers and any work papers of Seller's and its Affiliates' independent accountants as may be reasonably requested by Buyer in connection with its review of whether any Leakage occurred; provided, however, that the independent accountants of Seller and its Affiliates shall not be obligated to make any work papers available to Buyer unless and until Buyer has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants, as applicable.

Section 2.04 Payments and Computations. ALL PAYMENTS DUE UNDER THIS AGREEMENT SHALL BE PAID BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS TO THE ACCOUNT OR ACCOUNTS DESIGNATED BY THE PARTY RECEIVING SUCH PAYMENT NO LATER THAN TWO (2) BUSINESS DAYS PRECEDING THE DATE OF PAYMENT. ALL COMPUTATIONS OF INTEREST SHALL BE AT THE INTEREST RATE ON THE BASIS OF A YEAR OF 365 DAYS, IN EACH CASE, FOR THE ACTUAL NUMBER OF DAYS (INCLUDING THE FIRST DAY BUT EXCLUDING THE LAST DAY) OCCURRING IN THE PERIOD FOR WHICH SUCH INTEREST IS PAYABLE. WHENEVER ANY PAYMENT UNDER THIS AGREEMENT IS DUE ON A DAY OTHER THAN A BUSINESS DAY, SUCH PAYMENT SHALL BE MADE ON THE NEXT SUCCEEDING BUSINESS DAY, AND SUCH EXTENSION OF TIME SHALL BE INCLUDED IN THE COMPUTATION OF PAYMENT OF INTEREST.

### **ARTICLE III THE CLOSING**

Section 3.01 Closing. THE CLOSING OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT (THE "CLOSING") SHALL TAKE PLACE AT 10:00 A.M. LOCAL TIME AT THE OFFICES OF SIDLEY AUSTIN LLP, ONE SOUTH DEARBORN STREET, CHICAGO, ILLINOIS 60603 (OR SUCH OTHER PLACE AS SELLER AND BUYER MAY AGREE IN WRITING), ON THE LAST BUSINESS DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING THE SATISFACTION OR WAIVER OF EACH OF THE CONDITIONS SET FORTH IN SECTIONS 11.01 AND 11.02 (OTHER THAN CONDITIONS THAT, BY THEIR TERMS, CANNOT BE SATISFIED UNTIL CLOSING, BUT SUBJECT TO THE SATISFACTION OR WAIVER OF THOSE CONDITIONS AS OF THE

CLOSING). THE DATE ON WHICH THE CLOSING TAKES PLACE SHALL BE THE “CLOSING DATE”, AND THE CLOSING SHALL BE EFFECTIVE AS OF THE EFFECTIVE TIME.

Section 3.02 Payments. AT THE CLOSING, BUYER SHALL PAY TO SELLER IN ACCORDANCE WITH SECTION 2.04 AN AMOUNT EQUAL TO THE PURCHASE PRICE, WITHOUT WITHHOLDING OR DEDUCTION, TO AN ACCOUNT DESIGNATED BY SELLER AT LEAST TWO (2) BUSINESS DAYS PRIOR TO THE CLOSING DATE.

Section 3.03 Buyer’s Additional Closing Date Deliveries. AT THE CLOSING, BUYER SHALL DELIVER, OR CAUSE TO BE DELIVERED, TO SELLER:

- (a) counterparts of each Transaction Agreement (other than this Agreement) to which Buyer or any Buyer Party is a party, each duly executed on behalf of Buyer or such Buyer Party;
- (b) the certificate referred to in Section 11.01(a)(iv); and
- (c) such other agreements, documents, instruments or certificates as may be reasonably required to effectuate the transactions contemplated by this Agreement to be executed and delivered by Buyer or any Buyer Party on the Closing Date.

Section 3.04 Seller’s Additional Closing Date Deliveries. AT THE CLOSING, SELLER SHALL DELIVER, OR CAUSE TO BE DELIVERED, TO BUYER:

- (a) one or more stock certificates evidencing all of the Shares, duly endorsed in blank or accompanied by duly executed instruments of transfer;
- (b) counterparts of each Transaction Agreement (other than this Agreement) to which Seller, any Seller Party or the Company is a party, each duly executed on behalf of Seller, such Seller Party or the Company;
- (c) the certificate referred to in Section 11.02(a)(iv);
- (d) written resignations of each of the directors and executive officers of the Company set forth on Schedule 3.04(d), effective as of the Effective Time; and
- (e) such other agreements, documents, instruments or certificates as may be reasonably required to effectuate the transactions contemplated by this Agreement to be executed by Seller, any Seller Party or the Company on the Closing Date.

#### **ARTICLE IV**

#### **REPRESENTATIONS AND WARRANTIES REGARDING SELLER AND THE SELLER PARTIES**

Except as set forth in the correspondingly identified subsection of the Seller Disclosure Schedule, Seller hereby represents and warrants to Buyer as follows as of the date hereof



and as of the Closing Date (except for such representations and warranties which address matters only as of a specific date, which representations and warranties shall be made as of such specific date):

Section 4.01 Incorporation and Authority of Seller and the Seller Parties.

(a) Seller is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Iowa. Each Seller Party is a corporation or other legal entity duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction in which it is incorporated or organized.

(b) Each of Seller and each Seller Party has all requisite corporate power and authority to enter into, consummate the transactions contemplated by, and carry out its obligations under, each of the Transaction Agreements to which it is or will be a party. The execution and delivery by Seller and each Seller Party of the Transaction Agreements to which it is or will be a party, and the consummation by Seller and each Seller Party of the transactions contemplated by, and the performance by Seller and each Seller Party of its obligations under, such Transaction Agreements have been duly authorized by all requisite corporate action on the part of Seller and each Seller Party, and no additional corporate proceedings on the part of Seller or any Seller Party are necessary to approve or authorize the Transaction Agreements, the consummation by Seller and each Seller Party of the transactions contemplated thereby or the performance by Seller and each Seller Party of its obligations under such Transaction Agreements. This Agreement has been, and upon execution and delivery of the other Transaction Agreements to which Seller or any other Seller Party is or will be a party, such other Transaction Agreements will be, duly executed and delivered by Seller or such other Seller Party, as applicable, and this Agreement constitutes, and upon execution and delivery of the other Transaction Agreements to which Seller or any other Seller Party is or will be a party, such other Transaction Agreements will constitute (assuming due authorization, execution and delivery by each other party to such Transaction Agreement), the legal, valid and binding obligation of Seller and each Seller Party, as applicable, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.02 No Conflict. PROVIDED THAT ALL CONSENTS, APPROVALS, AUTHORIZATIONS AND OTHER ACTIONS DESCRIBED IN SECTION 4.03 HAVE BEEN OBTAINED OR TAKEN, EXCEPT AS MAY RESULT FROM ANY FACTS OR CIRCUMSTANCES SOLELY RELATING TO BUYER OR ITS AFFILIATES (AS OPPOSED TO ANY OTHER THIRD PARTY), THE EXECUTION, DELIVERY AND PERFORMANCE BY SELLER, THE SELLER PARTIES AND THE COMPANY OF, AND THE CONSUMMATION BY SELLER, THE SELLER PARTIES AND THE COMPANY OF THE TRANSACTIONS CONTEMPLATED BY, THE TRANSACTION AGREEMENTS TO WHICH ANY OF THEM IS OR WILL BE A PARTY DO NOT AND WILL NOT (A) VIOLATE OR CONFLICT WITH THE ORGANIZATIONAL DOCUMENTS, OR RESOLUTIONS OF THE BOARD OF DIRECTORS OR SHAREHOLDERS, OF SELLER, ANY SELLER PARTY OR THE COMPANY, (B) VIOLATE

OR CONFLICT WITH ANY LAW OR OTHER GOVERNMENTAL ORDER APPLICABLE TO SELLER, ANY SELLER PARTY OR THE COMPANY OR BY WHICH ANY OF THEM OR ANY OF THEIR RESPECTIVE PROPERTIES, ASSETS OR RIGHTS IS BOUND OR SUBJECT OR (C) RESULT IN ANY BREACH OR VIOLATION OF, OR CONSTITUTE A DEFAULT (WITH OR WITHOUT THE GIVING OF NOTICE OR LAPSE OF TIME, OR BOTH, WOULD BECOME A DEFAULT) UNDER, OR GIVE TO ANY PERSON ANY RIGHTS OF TERMINATION, ACCELERATION, IMPAIRMENT, ALTERATION OR CANCELLATION OF, OR RESULT IN RIGHTS TO RECEIVE ADDITIONAL PAYMENT UNDER, ANY OTHER CHANGE OF RIGHTS OR OBLIGATIONS, THE LOSS OF BENEFITS UNDER, OR THE CREATION OF ANY LIEN (OTHER THAN A PERMITTED LIEN) ON ANY OF THE ASSETS, PROPERTIES OR RIGHTS OF SELLER, ANY SELLER PARTY OR THE COMPANY PURSUANT TO, ANY CONTRACT TO WHICH SELLER, ANY SELLER PARTY OR THE COMPANY IS A PARTY OR BY WHICH ANY OF THEIR ASSETS, PROPERTIES OR RIGHTS IS BOUND OR SUBJECT, OTHER THAN, IN THE CASE OF CLAUSE (C), ANY SUCH CONFLICTS, VIOLATIONS, BREACHES, DEFAULTS, RIGHTS OR LIENS THAT, INDIVIDUALLY OR IN THE AGGREGATE, DO NOT HAVE, AND WOULD NOT REASONABLY BE EXPECTED TO HAVE, A COMPANY MATERIAL ADVERSE EFFECT.

Section 4.03 Consents and Approvals. EXCEPT AS MAY RESULT FROM ANY FACTS OR CIRCUMSTANCES SOLELY RELATING TO BUYER OR ITS AFFILIATES (AS OPPOSED TO ANY OTHER THIRD PARTY), THE EXECUTION, DELIVERY AND PERFORMANCE BY SELLER, THE SELLER PARTIES AND THE COMPANY OF, AND THE CONSUMMATION BY SELLER, THE SELLER PARTIES AND THE COMPANY OF THE TRANSACTIONS CONTEMPLATED BY, THE TRANSACTION AGREEMENTS TO WHICH ANY OF THEM IS OR WILL BE A PARTY DO NOT, AND WILL NOT, REQUIRE ANY GOVERNMENTAL APPROVAL TO BE OBTAINED OR MADE BY SELLER, THE COMPANY OR ANY SELLER PARTY PRIOR TO THE CLOSING, THE FAILURE TO OBTAIN OR MAKE ANY OR ALL OF WHICH WOULD REASONABLY BE EXPECTED TO (X) MATERIALLY IMPAIR OR DELAY THE ABILITY OF ANY OF THE COMPANY, SELLER OR THE SELLER PARTIES TO PERFORM THEIR MATERIAL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER TRANSACTION AGREEMENTS, TAKEN AS A WHOLE, INCLUDING CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR (Y) BE MATERIAL AND ADVERSE TO THE COMPANY OR TO THE CONDUCT OF THE BUSINESS.

## **ARTICLE V REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY**

Except as set forth in the correspondingly identified subsection of the Seller Disclosure Schedule, Seller hereby represents and warrants to Buyer as follows as of the date hereof and as of the Closing Date (except for such representations and warranties which address matters only as of a specific date, which representations and warranties shall be made as of such specific date):

Section 5.01 Incorporation and Authority of the Company.

(a) The Company (i) is a corporation duly incorporated and validly existing under the Laws of the State of Iowa, (ii) is in good standing under the Laws of the State of Iowa, (iii) is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary and (iv) has the requisite corporate power and authority to own, lease or otherwise hold the assets, properties and rights owned and to operate its business as now conducted, except where, in the case of clause (iii), such failures, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(b) The Company has all requisite corporate power and authority to enter into, consummate the transactions contemplated by, and carry out its obligations under, the Transaction Agreements to which it is or will be a party. The execution and delivery by the Company of the Transaction Agreements to which it is or will be a party, and the consummation by the Company of the transactions contemplated by, and the performance by the Company of its obligations under, such Transaction Agreements have been duly authorized by all requisite corporate action on the part of the Company, and no additional corporate proceedings on the part of the Company are necessary to approve or authorize the Transaction Agreements, the consummation by the Company of the transactions contemplated thereby or the performance by the Company of its obligations under such Transaction Agreements. Upon execution and delivery of the Transaction Agreements to which the Company is or will be a party, such Transaction Agreements will be duly executed and delivered by the Company, and (assuming due authorization, execution and delivery by each other party to such Transaction Agreements) such Transaction Agreements will constitute, the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Seller has made available to Buyer true, complete and correct copies of the organizational documents, stock certificates and minute books of the Company, as amended and in effect as of the date hereof.

Section 5.02 Capital Structure of the Company; Ownership and Transfer of the Shares.

(a) Section 5.02(a) of the Seller Disclosure Schedule sets forth (i) the authorized Capital Stock of the Company and (ii) the number of shares of each class or series of Capital Stock of the Company that are issued and outstanding, together with the registered holder thereof. All the outstanding shares of Capital Stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable and were not issued in violation of any preemptive or subscription rights. There are no options, puts, tag-alongs, drag-alongs, calls, warrants or convertible or exchangeable securities, or conversion, preemptive, subscription or other rights, or agreements, arrangements or commitments, in any such case, obligating or which may obligate Seller, the

Company or any of their Affiliates to issue, transfer, sell, purchase, return or redeem any of its Capital Stock or securities convertible into or exchangeable for any of its Capital Stock, and there are no shares of Capital Stock of the Company reserved for issuance for any purpose. There are no capital appreciation rights, phantom stock plans, securities with participation rights or features, or similar obligations or commitments of the Company. There are no bonds, debentures, notes or other indebtedness of the Company having voting rights (or convertible into securities having voting rights).

(b) Seller owns all of the outstanding Capital Stock of the Company, beneficially and of record and free and clear of all Liens, other than any Liens arising as a result of this Agreement.

(c) Except for this Agreement, there are no voting trusts, stockholder agreements, proxies or other rights or agreements in effect with respect to the voting, transfer or dividend rights of the Capital Stock of the Company.

(d) Except for investment assets acquired in the ordinary course of business consistent with past practice, the Company has no Subsidiaries.

(e) The Company holds, in all material respects, good and valid fee title to or has valid leases, licenses or rights to all material property and other assets (tangible or intangible, including Intellectual Property but excluding Investment Assets), reflected on its most recent balance sheet contained in the GAAP Financial Statements or thereafter acquired by the Company and as would be required to be included in the GAAP Financial Statements, except for property or other assets sold or otherwise disposed of since the date of such balance sheet in the ordinary course of business consistent with past practices, free and clear of any Liens, except for Permitted Liens and Liens arising as a result of this Agreement.

#### Section 5.03 Financial Statements; Absence of Undisclosed Liabilities.

(a) Seller has made available to Buyer true, correct and complete copies of the GAAP Financial Statements. Each of the GAAP Financial Statements (i) has been derived from and is consistent with the books and records of the Company, (ii) was prepared in accordance with GAAP (subject to the omission of notes and normal year-end adjustments in the case of the unaudited statements) and in conformity with the practices consistently applied by the Company throughout the periods presented and (iii) presents fairly, in all material respects, the consolidated financial position, results of operations, stockholder's equity and cash flows of the Company as at the respective dates and for the respective periods indicated.

(b) Seller has made available to Buyer true, complete and correct copies of the following statutory statements, in each case together with the exhibits, schedules and notes thereto (collectively, the "Statutory Statements") and together with the GAAP Financial Statements, the "Financial Statements"): (i) the annual statements of the Company as of and for the annual periods ended December 31, 2014, 2015 and 2016, in each case as filed with Iowa Insurance Division, (ii) the audited annual financial statements of the Company as of and for the annual periods ended December 31, 2014, 2015 and 2016, together with the report of the Company's independent auditors thereon and all exhibits, schedules and notes thereto and (iii) the quarterly statement of the Company

as of and for the quarterly period ended March 31, 2017, as filed with the Iowa Insurance Division. The Statutory Statements (i) have been derived from and are consistent with the books and records of the Company, (ii) were prepared in all material respects in accordance with all applicable Laws and SAP applied consistently throughout the periods involved and (iii) present fairly, in all material respects, the statutory financial position, results of operations, stockholders' equity and cash flows of the Company as of their respective dates and for the respective periods covered thereby. No material deficiency has been asserted by any Governmental Authority in respect to the Statutory Statements that remains unresolved prior to the date hereof. Section 5.03(b) of the Seller Disclosure Schedule sets forth a complete list of all permitted practices used by the Company in the preparation of the Statutory Statements. All permitted practices have been approved by the applicable insurance Governmental Authority in writing at or prior to the time used by the Company in connection with the applicable Statutory Statements and such approval is currently in effect without an expiration date.

(c) The Company maintains a system of internal controls that provide reasonable assurance that: (i) records are maintained in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP or SAP, as applicable, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, (iii) controls prevent or timely detect unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements of the Company and (iv) the recorded accountability for its assets is compared with its existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(d) The books and records of the Company and the Business (i) have been maintained in all material respects in accordance with applicable Law and (ii) accurately represent and reflect, in all material respects, the Business and all transactions and actions related thereto.

(e) Except (i) as set forth in the Financial Statements as of the Accounts Date, (ii) for Liabilities and obligations incurred in the ordinary course of business since the Accounts Date and (iii) as would not reasonably be expected to be material and adverse to the Company, taken as a whole, there are no Liabilities or obligations of the Company or the Business of any nature (whether accrued, absolute, contingent or otherwise).

Section 5.04 Absence of Certain Changes. EXCEPT AS CONTEMPLATED BY THIS AGREEMENT, FROM THE ACCOUNTS DATE TO THE DATE OF THIS AGREEMENT, (a) THE COMPANY HAS CONDUCTED THE BUSINESS IN THE ORDINARY COURSE CONSISTENT WITH PAST PRACTICES, (a) THERE HAS NOT OCCURRED ANY EVENT OR EVENTS THAT, INDIVIDUALLY OR IN THE AGGREGATE, HAVE HAD, OR WOULD REASONABLY BE EXPECTED TO HAVE, A COMPANY MATERIAL ADVERSE EFFECT, (C) THE BUSINESS HAS NOT (I) MATERIALLY INCREASED THE COMPENSATION PAYABLE OR TO BECOME PAYABLE BY THE BUSINESS TO ANY DIRECTOR OR BUSINESS EMPLOYEE, EXCEPT FOR INCREASES MADE IN THE ORDINARY COURSE OF BUSINESS CONSISTENT WITH PAST PRACTICES, (II) GRANTED ANY NEW BONUS

OR SEVERANCE ARRANGEMENT TO ANY OFFICER OF THE BUSINESS OR (III) ESTABLISHED ANY NEW EMPLOYEE BENEFIT PLAN, AND (D) OTHER THAN ANY ACTION THAT WOULD RESULT IN LEAKAGE OR PERMITTED LEAKAGE, NEITHER SELLER NOR ANY OF ITS AFFILIATES HAS TAKEN ANY ACTION OR FAILED TO TAKE ANY ACTION THAT, IF TAKEN OR FAILED TO BE TAKEN AFTER THE DATE HEREOF WITHOUT THE CONSENT OF BUYER, WOULD CONSTITUTE A BREACH OF SECTION 7.01 HAD SUCH SECTION BEEN IN EFFECT FROM THE ACCOUNTS DATE TO THE DATE OF THIS AGREEMENT.

Section 5.05 Absence of Litigation.

(a) As of the date hereof, there are no Actions (other than claims under insurance or annuity policies and contracts, or any binders, slips, certificates, endorsements or riders thereto, within applicable policy limits) pending or, to the Knowledge of Seller, threatened against the Company that individually (or in the aggregate with any Actions with respect to substantially similar underlying facts, circumstances or events) would reasonably be expected to result in (i) Losses in excess of \$500,000 or (ii) an injunction or other similar remedy that would reasonably be expected to be material and adverse to the Company or to the conduct of the Business.

(b) There are no Actions pending or, to the Knowledge of Seller, threatened against Seller or any of its Affiliates (including the Company) that question the validity of, or seek injunctive relief with respect to, any of the Transaction Agreements or the right of Seller, any Seller Party or the Company to enter into, or consummate the transactions contemplated under, any of the Transaction Agreements.

Section 5.06 Compliance with Laws.

(a) Since January 1, 2014, the Company has not been in violation in any material respects of Laws, Governmental Orders or material agreement with any Governmental Authority, in each case applicable to it or its assets, properties, rights or businesses. Since January 1, 2014, the Company has not (i) received any written or, to the Knowledge of Seller, oral notice or other communication from any Governmental Authority asserting a past or present failure to comply with in any material respect, any applicable Law or Governmental Order or (ii) to the Knowledge of Seller, been placed under investigation with respect to any material violation of or non-compliance with any applicable Law.

(b) The Company is not a party to, or bound by, any material Governmental Order applicable to it or its assets, properties, rights or businesses.

(c) Since January 1, 2014, no director or officer of the Company, or to the Knowledge of Seller, no Business Employee or other employee of the Company or Seller or any of its Affiliates acting for or on behalf of the Company has, directly or indirectly (i) used any funds for contributions, gifts, gratuities, entertainment or other expenses related to political activity, in each case in violation of any applicable Laws, (ii) made any payment in violation of any Laws or offered, promised or authorized the payment of anything of value, regardless of form, whether in money, property or services, to or for the benefit of any U.S. or non-U.S. government official or

employee, any official or employee of a public international organization, or any political party or candidate for political office in each case in violation of any Laws and for the purpose of influencing any act or decision of such individual or of any governmental body or public international organization, or securing any improper advantage, in order to obtain or retain business or direct business to any person in violation of any Laws, (iii) made any other payment, regardless of form, whether in money, property or services which constitutes criminal bribery under any Laws, or (iv) violated any applicable export control, money laundering or anti-terrorism law or regulation, the U.S. Foreign Corrupt Practices Act of 1977, as amended, or any other applicable anti-bribery law or regulation, of any applicable jurisdiction, or any Laws of similar effect, except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Company or the Business.

#### Section 5.07 Governmental Licenses and Permits.

(a) The Company owns, holds or possesses all material governmental qualifications, registrations, licenses, permits or authorizations that are necessary for it to conduct its business and to own or use its assets and properties, as such business, assets and properties are conducted, owned and used on the date hereof (collectively, the “Permits”).

(b) (i) All Permits are valid and in full force and effect, (ii) the Company is not in default or violation, in any material respect, of any of the Permits, and (iii) the Company is not the subject of any pending or, to the Knowledge of Seller, threatened Action seeking the revocation, suspension, termination, modification or impairment of any Permit. Subject to obtaining the consents set forth in Section 4.03 of the Seller Disclosure Schedule, none of the Permits will be subject to revocation, suspension, withdrawal or termination as a result of the consummation of the transactions contemplated hereby. Since January 1, 2014, the Company has not received any written notice or, to the Knowledge of Seller, oral or any other communication from any Governmental Authority regarding any violation in any material respect of any Permit.

#### Section 5.08 Intellectual Property.

(a) Section 5.08(a) of the Seller Disclosure Schedule contains a true, complete and correct list of all (i) Intellectual Property that has issued or is registered or is subject to an application for issuance or registration, that is owned by the Company and (ii) unregistered Intellectual Property, including Intellectual Property rights in Software and the Assigned Trademarks, that is material to the Business as conducted on the date of this Agreement and is owned by the Company (collectively, with Intellectual Property that is material to the Business created or acquired between the date of this Agreement and the Closing, in each case, that is owned by the Company, the “Owned Intellectual Property”). For each such item of Intellectual Property, Section 5.08(a) of the Seller Disclosure Schedule includes, where applicable, (A) the current owner (including, with respect to Internet domain names, social media usernames and other digital identifiers, the current registrant), (B) the jurisdiction where the application, registration or issuance is filed, (C) the application, registration and issue number and (D) the application, registration and issue date.

(b) The issued and registered Intellectual Property set forth in Section 5.08(a) of the Seller Disclosure Schedule is subsisting and, to the Knowledge of Seller, valid and enforceable. The Owned Intellectual Property is owned free and clear of all Liens, except for Permitted Liens. Seller, its Affiliates and the Company have taken commercially reasonable actions to maintain the confidentiality of material Trade Secrets used in the Business.

(c) Since January 1, 2014 (i) the operation of the Business has not been and is not infringing, misappropriating or violating any Intellectual Property of any non-affiliated third party, (ii) to the Knowledge of Seller, no Person has engaged or is engaging in any activity that infringes, misappropriates or violates the Owned Intellectual Property and (iii) there has not been, and there is no, pending or, to the Knowledge of Seller, threatened Action before any Governmental Authority alleging that the operation of the Business as conducted since January 1, 2014 infringes, misappropriates or violates the Intellectual Property of any non-affiliated third party or challenging the ownership, validity or enforceability of the Owned Intellectual Property, except in the case of clauses (i) and (ii) above, as has not had, and is not reasonably be expected to have, individually or in the aggregate, Company Material Adverse Effect.

(d) The Company owns or is licensed to use or otherwise possess legally enforceable rights to use all material Intellectual Property used in the Business, free and clear of Liens other than Permitted Liens.

(e) Since January 1, 2014, none of Seller, its Affiliates or the Company, in the conduct of the Business, uses or distributes, or has used or distributed, any Software licensed, provided or distributed under any open source license, including any license meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation) or any Software that contains or is derived from any such Software in any manner that would require any source code of the Software owned by Seller, its Affiliates or the Company used in the Business to be licensed for free, publicly distributed, attributed to any person or dedicated to the public.

Section 5.09 Environmental Matters. THE COMPANY HAS NOT RECEIVED A WRITTEN NOTICE, REQUEST FOR INFORMATION, CLAIM OR DEMAND FROM ANY GOVERNMENTAL AUTHORITY OR THIRD PARTY ALLEGING LIABILITY IN CONNECTION WITH THE MATERIAL VIOLATION OF ANY ENVIRONMENTAL LAW, THERE ARE NO MATERIAL JUDICIAL OR ADMINISTRATIVE PROCEEDINGS PENDING OR THREATENED AGAINST THE COMPANY ARISING UNDER OR RELATING TO AN ENVIRONMENTAL LAW, AND SINCE JANUARY 1, 2014, THE COMPANY IS AND HAS BEEN IN COMPLIANCE IN ALL MATERIAL RESPECTS WITH ANY APPLICABLE ENVIRONMENTAL LAWS.

Section 5.10 Material Contracts.

(a) Section 5.10(a) of the Seller Disclosure Schedule contains a true, complete and correct list of each contract, agreement, lease, license, instrument or other legally binding and enforceable commitment (each, a "Material Contract") in force as of the date hereof (other than



Reinsurance Agreements, insurance or annuity policies and contracts, or any binders, slips, certificates, endorsements or riders thereto, and any contracts, agreements, instruments or commitments that relate to the acquisition, disposition or custody of Investment Assets in the ordinary course of business consistent with past practices) to which the Company is a party or to which any of its assets, properties or rights are subject or that is entered into for its benefit by Seller or any of Seller's Affiliates (other than the Company), or that is a Shared Contract, in each case, that:

(i) involved, during the twelve (12)-month period ended June 30, 2017, (A) aggregate payments by the Company in excess of \$500,000 by the Company or (B) the delivery by the Company of goods or services with a fair market value in excess of \$500,000;

(ii) involved, during the twelve (12)-month period ended June 30, 2017, receipt of payments by the Company in excess of, or any property with a fair market value in excess of, \$500,000;

(iii) has a non-affiliated Person license (as licensor or licensee) material Intellectual Property to or from the Company, other than nonexclusive licenses of commercially available Software granted in the ordinary course of business consistent with past practices such as to or from customers, vendors, suppliers or distributors that involved aggregate payments to or from the Company less than \$500,000 during the twelve (12)-month period ended June 30, 2017;

(iv) provides for a third Person to create, develop or customize Intellectual Property material to the operation of the Business for or on behalf of (A) the Company or (B) Seller or any of its Affiliates (other than the Company) to the extent created, developed or customized primarily in connection with the Business;

(v) grants a right of first refusal or first offer or similar right or contains covenants restricting or limiting the ability of the Company in any material respect (taken as a whole) to freely engage in any line of business, compete with any Person, compete in any geographic region;

(vi) provides for any obligation to loan or contribute funds to, or make investments in, another Person;

(vii) contains any material restriction on the ability of the Company (or, after consummation of the transactions contemplated hereby, Buyer or any of its Affiliates) to solicit specified customers or prospective customers for the purchase, renewal, lapse, surrender or annuitization of Insurance Contracts or to later change their existing elections or options under the Insurance Contracts;

(viii) is a mortgage, indenture, loan or credit agreement, security agreement or other agreement or instrument relating to the borrowing of money or extension of credit or the direct or indirect guarantee of any obligation for borrowed money of any Person or

any other Liability in respect of indebtedness for borrowed money of any Person, in each case, involving Liabilities in excess of \$500,000;

(ix) is a material limited liability company, partnership, joint venture or other similar contract relating to the formation, creation, operation, management or control of any partnership or joint venture in respect of the Business;

(x) is an agreement for the employment of any Business employee that is not terminable at will without further Liability;

(xi) is a material third-party administration or other insurance policy administration agreement relating to the Insurance Contracts;

(xii) is an investment management agreement with any Affiliate of the Company;

(xiii) is a guarantee in respect of the Business;

(xiv) is a capital maintenance contract, keepwell or similar agreement pursuant to which any Person has agreed to contribute capital or surplus to the Company or any capital maintenance contract or similar agreement pursuant to which the Company has agreed to contribute capital or surplus to any Person or guarantee the obligations of any Person under any insurance contract; or

(xv) requires the Company to maintain a minimum rating issued by a credit rating agency that would give rise to any violation, breach or default by the Company thereunder or that would permit any termination, modification or acceleration thereof in the event of a ratings downgrade of the Company.

(b) Seller has made available to Buyer a true, complete and correct copy of each Material Contract as of the date of this Agreement. Each Material Contract is a legal, valid and binding obligation of the Company, Seller or its Affiliates party thereto, and, to the Knowledge of Seller, each other party to such Material Contract, and is enforceable against the Company, Seller or its Affiliates party thereto, and, to the Knowledge of Seller, each such other party, in accordance with its terms (except in each case as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, rehabilitation, liquidation, fraudulent conveyance or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, and subject to the limitations imposed by general equitable principles (whether or not such enforceability is considered in a proceeding at Law or in equity)), and none of the Company, Seller or any of its Affiliates nor, to the Knowledge of Seller, any other party to a Material Contract, is in material default or material breach or has failed to perform any material obligation under a Material Contract, and, to the Knowledge of Seller, there does not exist any event, condition or omission that would constitute such a material breach or material default (with or without lapse of time or notice or both).

Section 5.11 Affiliate Transactions. SECTION 5.11(A) OF THE SELLER DISCLOSURE SCHEDULE SETS FORTH A TRUE, COMPLETE AND CORRECT LIST, AS

OF THE DATE HEREOF, OF ALL MATERIAL CONTRACTS, AGREEMENTS, LEASES, LICENSES AND OTHER INSTRUMENTS (WHETHER OR NOT REDUCED TO WRITING), OTHER THAN ANY INSURANCE CONTRACTS, BETWEEN THE COMPANY, ON THE ONE HAND, AND SELLER OR ANY AFFILIATE OF SELLER (OTHER THAN THE COMPANY), ON THE OTHER HAND (COLLECTIVELY, “INTERCOMPANY AGREEMENTS”).

Section 5.12 Employee Benefits; Employees.

(a) Excluding any appointed officers or directors of the Company in such capacity, the Company has no current employees and no material Liabilities with respect to former employees. None of the Employee Benefit Plans is sponsored by the Company. Section 5.12(a) of the Seller Disclosure Schedule lists all material Employee Benefit Plans.

(b) Schedule 1.01(a) sets forth a list of each employee of Seller or one of its Affiliates who provides substantial services to the Business as of the date hereof, with, as applicable, each employee’s title, base salary or wage rate, target bonus, 2017 long-term incentive plan grant value, date of hire, employment status (i.e., part-time or full-time, exempt or non-exempt), principal work location, whether the employee is on short- or long-term disability or other leave and the nature of the leave and the date of the employee’s expected return to work, and an indication of whether or not such employee’s employment is governed by a collective bargaining agreement, each as of the date hereof. During the six (6) months preceding the date hereof (or during the duration of such individual’s employment, if shorter), no employee of Seller or any of its Affiliates (other than the employees set forth in Schedule 1.01(a)) has provided substantial services to the Business. Except as set forth on Schedule 5.12(b) of the Seller Disclosure Schedules, the Company has not or is not reasonably expected to incur any liability as a result of being an ERISA Affiliate of Seller or its Affiliates. An individual who provides “substantial services” means an individual who provides services to the Business for at least seventy-five percent (75%) of the total business time during which he or she provides services to Seller or any of its Affiliates.

(c) With respect to the Employee Benefit Plans, none of Buyer nor any of its Affiliates (including, following the Closing, the Company) will, as a result of the transactions contemplated by this Agreement, assume by operation of applicable Law any liability with respect to (i) a “multiemployer plan” (within the meaning of Section 3(37) of ERISA), (ii) a “multiple employer plan” (within the meaning of Section 413(c) of the Code), (iii) any single employer plan or other pension plan subject to Title IV or Section 302 of ERISA or Section 412 of the Code or (iv) any employee benefit plan, program or arrangement that provides for medical, life insurance or other welfare-type benefits after termination of employment (other than as required to avoid an excise Tax under Section 4980B of the Code or other similar applicable Law).

(d) Each Employee Benefit Plan has been established, maintained and administered in all material respects in accordance with its terms, and in compliance with the applicable provisions of ERISA, the Code and other applicable Law. There is no pending or, to the Knowledge of Seller, threatened claim (other than a routine claim for benefits), examination, audit, investigation or other proceeding with respect to any Employee Benefit Plan by any Governmental

Authority, except where any such claim, investigation, examination, audit or other proceeding would not, individually or in the aggregate, be material to the Business.

(e) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter or may rely on an opinion letter from the IRS that it is so qualified, and each related trust that is intended to be exempt from federal income Tax pursuant to Section 501(a) of the Code has received a determination letter or may rely on an opinion letter from the IRS that it is so exempt, and to the Knowledge of Seller, no fact or event has occurred since the date of such determination letter that would reasonably be expected to adversely affect such qualification or exemption, as the case may be.

(f) Except as contemplated by this Agreement, no Employee Benefit Plan exists that, as a result of the execution of this Agreement or any of the other Transaction Agreements or consummation of the transactions contemplated by this Agreement or any of the other Transaction Agreements, alone or together with any other event could reasonably be expected to (i) result in severance pay or any increase in severance pay of any Business Employee, (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable under, or result in any other material obligation pursuant to, any of the Employee Benefit Plans in respect of any Business Employee, (iii) result in the creation or imposition of any Lien on any of the assets of the Business, or (iv) result in any payment (whether in cash or property or the vesting of property) to any Business Employee who is a “disqualified individual” (as such term is defined in Treasury Regulation Section 1.280G-1) that could reasonably be construed, individually or in combination with any other such payment, to constitute an “excess parachute payment” (as defined in Section 280G(b)(1) of the Code). No Business Employee is entitled to receive any additional payment (including any tax gross-up or other payment) from Sellers or its Affiliates as a result of the imposition of the excise Taxes required by Section 4999 of the Code or any Taxes required by Section 409A of the Code.

(g) As of the date hereof, (i) there are no collective bargaining agreements to which Seller or its Affiliates (including the Company) are parties with respect to any Business Employees and (ii) to the Knowledge of Seller, (A) there are no formal organizational campaigns, petitions or other material unionization activities seeking recognition of a bargaining unit in the Company with respect to Business Employees, (B) there are no material strikes or work stoppages pending or threatened with respect to Business Employees and (C) no such strike or work stoppage has occurred within the three (3) years preceding the date of this Agreement. Sellers and its Affiliates are in compliance, with respect to the Business Employees, in all material respects, with all applicable Laws respecting labor, employment, fair occupational safety and health requirements, employment classification, immigration, the WARN Act, plant closing and layoffs, the Fair Labor Standards Act of 1938, withholding of taxes, employment discrimination, equal opportunity and unemployment insurance.

(h) No Business Employee is represented by a labor organization or group that was either voluntarily recognized or certified by any labor relations board (including the United States National Labor Relations Board).

(i) None of the Seller or its Affiliates (including the Company) is a party to a collective bargaining agreement, labor agreement or other labor-related agreement with any trade union, labor union or organization, and there, to the Knowledge of Seller, are no labor unions or other labor organizational campaigns, petitions or other unionization activities seeking recognition of a bargaining unit in the Business or of any Business Employee.

(j) Since January 1, 2014, to the extent related to any Business Employee, Seller and its Affiliates have not received written notice from any Governmental Authority responsible for the enforcement of labor, employment, wages and hours of work, immigration, or occupational safety and health Laws regarding any material charge or complaint, any pending or threatened material complaint, or the intent to conduct a material investigation (or written notice that such an investigation is in progress). As of the date of this Agreement, there is no material Action pending or, to the Knowledge of Seller, threatened before any Governmental Authority by or on behalf of any present or former Business Employee or any applicant for employment as a Business Employee, in each case alleging breach of any express or implied contract of employment, any applicable Law governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship, in each case that has not been resolved as of the date of this Agreement and would reasonably be expected to be material to the Business. As of the date hereof, all Business Employees have established valid, current U.S. employment authorization.

#### Section 5.13 Insurance Issued by the Company.

(a) Since January 1, 2014, all benefits due and payable, or required to be credited, by or on behalf of the Company on Insurance Contracts in force on such dates have been in all material respects paid or credited, as the case may be, in accordance with the terms of the Insurance Contracts under which they arose, and such payments or credits were not materially delinquent and were paid or credited without material fines or penalties (excluding interest), except for such claims for which the Company believed there was a reasonable basis to contest payment and is taking such action.

(b) All policy forms on which in force Insurance Contracts were issued, and all amendments, applications, and certificates pertaining thereto, where required by applicable Law, have been approved by all applicable Governmental Authorities or filed with and not objected to by such Governmental Authorities within the time period provided by applicable Law for objection, subject to such exceptions that, individually or in the aggregate, have not had, and would not be reasonably expected to have, a Company Material Adverse Effect, and all such policy forms and all amendments, applications and certificates pertaining thereto comply in all material respects with applicable Law. No material deficiencies have been asserted by any Governmental Authority with respect to any such filings which have not been cured or otherwise resolved.

(c) Any rates currently used for in force Insurance Contracts, where required to be filed with or approved by any Governmental Authority, have been so filed or approved, and such rates conform thereto, subject to such exceptions that, individually or in the aggregate, have not had, and would not be reasonably expected to have, a Company Material Adverse Effect.

(d) The Insurance Contracts in force or that have been in force at any time since January 1, 2014 have been marketed, sold, issued, maintained and administered in compliance, in all material respects, with applicable Law.

(e) As of the date hereof, there are no material unpaid claims or assessments made against the Company by any state insurance guaranty associations or similar organizations in connection with such association's insurance guarantee fund.

(f) The Company is, and since January 1, 2014 has been, in material compliance with all applicable Laws regulating the marketing and sale of Insurance Contracts, regulating advertisements, requiring mandatory disclosure of policy information, requiring employment of standards to determine if the purchase of an insurance or annuity policy or contract is suitable for an applicant, prohibiting the use of unfair methods of competition and deceptive acts or practices and regulating replacement transactions. For purpose of this Section, (i) "advertisement" means any material designed to create public interest in insurance or annuity policies or contracts or in an insurer, or in an insurance producer, or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain such an insurance or annuity policy or contract and (ii) "replacement transaction" means a transaction in which a new Insurance Contract is to be purchased by a prospective insured and the proposing producer knows or should know that one or more existing insurance or annuity policies or contracts will lapse, or will be forfeited, surrendered, reduced in value or pledged as collateral.

(g) Since January 1, 2014, the Company has not received any written notice of any unclaimed property or escheat audit or investigation from any Governmental Authority. The Company maintains unclaimed property and escheat policies, procedures and guidelines that comply in all material respects with all applicable Laws, copies of which have previously been provided to Buyer by Seller. The Company is, and at all times since January 1, 2014 has been, in material compliance with all such policies, procedures and guidelines and any applicable Laws related thereto.

(h) No provision in any Insurance Contract written by the Company gives the holder thereof or any other Person the right to receive policy dividends or otherwise participate in the revenue, earnings or profits of the Company.

(i) None of the Company nor Seller or its Affiliates (with respect to the Business) is party to any written contract, consent decree or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or subject to any cease-and-desist or other order or directive by, or a recipient of any extraordinary supervisory letter from, or has adopted any policy, procedure or board or stockholder resolution at the request of, any insurance Governmental Authority that restricts materially the conduct of its business (or in the case of Seller or its Affiliates, the Business) or in any manner relates to its capital adequacy, credit or risk management policies or management.

Section 5.14 Reinsurance. SECTION 5.14 OF THE SELLER DISCLOSURE SCHEDULE SETS FORTH A TRUE, COMPLETE AND CORRECT LIST OF ALL REINSURANCE AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND HAS ANY

EXISTING MATERIAL RIGHTS OR MATERIAL OBLIGATIONS AS OF THE DATE HEREOF (EACH, A “REINSURANCE AGREEMENT”). SELLER HAS MADE AVAILABLE TO BUYER A TRUE, COMPLETE AND CORRECT COPY OF EACH REINSURANCE AGREEMENT (INCLUDING ANY AMENDMENTS THEREOF) IN EFFECT AS OF THE DATE HEREOF. EACH REINSURANCE AGREEMENT IS A LEGAL, VALID AND BINDING OBLIGATION OF THE COMPANY AND, TO THE KNOWLEDGE OF SELLER, EACH OTHER PARTY THERETO, AND IS ENFORCEABLE AGAINST THE COMPANY, AND, TO THE KNOWLEDGE OF SELLER, EACH OTHER PARTY THERETO, IN ACCORDANCE WITH ITS TERMS (EXCEPT IN EACH CASE AS MAY BE LIMITED BY APPLICABLE BANKRUPTCY, INSOLVENCY, REORGANIZATION, MORATORIUM, REHABILITATION, LIQUIDATION, FRAUDULENT CONVEYANCE OR OTHER SIMILAR LAWS NOW OR HEREAFTER IN EFFECT RELATING TO OR AFFECTING CREDITORS’ RIGHTS GENERALLY, AND SUBJECT TO THE LIMITATIONS IMPOSED BY GENERAL EQUITABLE PRINCIPLES (WHETHER OR NOT SUCH ENFORCEABILITY IS CONSIDERED IN A PROCEEDING AT LAW OR IN EQUITY)). NEITHER THE COMPANY NOR, TO THE KNOWLEDGE OF SELLER, ANY OF THE OTHER PARTIES TO ANY REINSURANCE AGREEMENT IS IN MATERIAL DEFAULT OR MATERIAL BREACH OR HAS FAILED TO PERFORM ANY MATERIAL OBLIGATION UNDER ANY SUCH REINSURANCE TREATY OR AGREEMENT, AND, TO THE KNOWLEDGE OF SELLER, THERE DOES NOT EXIST ANY EVENT, CONDITION OR OMISSION THAT WOULD CONSTITUTE SUCH A MATERIAL BREACH OR MATERIAL DEFAULT (WITH OR WITHOUT LAPSE OF TIME OR NOTICE OR BOTH). THERE ARE NO PENDING OR, TO THE KNOWLEDGE OF SELLER, THREATENED ACTIONS WITH RESPECT TO ANY REINSURANCE AGREEMENT. AS OF THE DATE HEREOF, NO PARTY TO ANY REINSURANCE AGREEMENT HAS GIVEN NOTICE IN ACCORDANCE WITH THE TERMS THEREOF OF TERMINATION (PROVISIONAL OR OTHERWISE) OR RECAPTURE IN RESPECT OF ANY REINSURANCE AGREEMENT. SINCE JANUARY 1, 2014, (A) THERE HAS NOT BEEN ANY DISPUTE WITH RESPECT TO ANY MATERIAL AMOUNTS RECOVERABLE OR PAYABLE BY THE COMPANY PURSUANT TO ANY REINSURANCE AGREEMENT AND (B) NO REINSURER PARTY HAS SOUGHT TO DENY OR LIMIT COVERAGE OR REVOKE, TERMINATE, RESCIND OR CHANGE, IN ACCORDANCE WITH THE TERMS OF ANY REINSURANCE AGREEMENT, REINSURANCE PREMIUMS OR EXPENSE ALLOWANCES.

Section 5.15 Distributors and Brokers; Third-Party Administrators.

(a) To the Knowledge of Seller, since January 1, 2014 to the date hereof, each insurance agent, underwriter, wholesaler, broker, reinsurance intermediary and distributor that wrote, sold, or produced insurance business for the Company (each, a “Distributor”), at the time such Person wrote, sold or produced such business, was duly licensed or registered as required by Law (for the type of business written, sold or produced on behalf of the Company), was duly authorized and appointed (to the extent required by applicable Law) by the Company, and to the Knowledge of Seller, no Distributor is in violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Law applicable to the writing, sale or production of insurance business for the Company, except for such failures to be licensed or such violations which have been cured, resolved or settled through agreements with applicable

Governmental Authorities or are barred by an applicable statute of limitations or, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Company Material Adverse Effect. To the Knowledge of Seller, no Distributor has been enjoined, indicted, convicted or made the subject to any consent decree or judgment on account of any violation of applicable Law in connection with such Distributor's actions in his, her or its capacity as Distributor for the Company or any enforcement or disciplinary proceeding alleging any such violation.

(b) To the Knowledge of Seller, since January 1, 2014 to the date hereof, each third-party administrator that managed or administered insurance business for the Company, at the time such Person managed or administered such business, was duly licensed or registered as required by Law (for the type of business managed or administered on behalf of the Company), and to the Knowledge of Seller, no such third-party administrator is in violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Law applicable to the administration or management of insurance business for the Company, except for such failures to be licensed or such violations which have been cured, resolved or settled through agreements with applicable Governmental Authorities or are barred by an applicable statute of limitations or, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Company Material Adverse Effect.

Section 5.16 Investment Assets.

(a) Seller has made available to Buyer a true, complete and correct list of all investment assets owned by, or held in trust for the benefit of, the Company, including bonds, notes, debentures, mortgage loans, collateral loans and all other instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts and derivatives as of June 30, 2017 ("Investment Assets"). The Company, or a trustee acting on the Company's behalf, has valid title to all Investment Assets, free and clear of any Liens other than Permitted Liens.

(b) Seller has made available to Buyer true and correct copies of the investment guidelines and policies of the Company in effect as of the date hereof (the "Investment Guidelines and Policies"). No changes have been made to such Investment Guidelines and Policies from the Accounts Date to the date hereof, except as set forth in Section 5.16(b) of the Seller Disclosure Schedule.

Section 5.17 Insurance. AS OF THE DATE OF HEREOF, SELLER OR ITS AFFILIATES, WITH RESPECT TO THE COMPANY, MAINTAIN THE INSURANCE POLICIES AND COVERAGES SET FORTH IN SECTION 5.17 OF THE SELLER DISCLOSURE SCHEDULE, ALL PREMIUMS DUE THEREUNDER HAVE BEEN PAID WHEN DUE IN ALL MATERIAL RESPECTS AND ALL SUCH POLICIES ARE IN FULL FORCE AND EFFECT AND NO WRITTEN NOTICE OF CANCELLATION, TERMINATION OR REVOCATION OR OTHER WRITTEN NOTICE THAT ANY SUCH INSURANCE POLICY IS NO LONGER IN FULL FORCE OR EFFECT.



Section 5.18 Property. THE COMPANY DOES NOT OWN OR LEASE ANY REAL PROPERTY OR INTERESTS IN REAL PROPERTY, EXCEPT FOR INVESTMENT ASSETS.

Section 5.19 Taxes.

(a) All (i) material Tax Returns required to be filed by or on behalf of the Company have been duly and timely filed with the appropriate Tax Authority (after giving effect to any valid extensions of time in which to make such filings) and such material Tax Returns are true, correct and complete in all material respects, (ii) amounts shown on such Tax Returns as due have been fully and timely paid and (iii) all income and other material Taxes payable with respect to the Company (whether or not shown on such Company Tax Return) have been fully and timely paid.

(b) The Company has complied in all material respects with all applicable Laws relating to withholding of Taxes and has duly and timely withheld and paid over to the appropriate Tax Authority all material amounts required to be so withheld and paid over.

(c) No written waiver of any statute of limitations relating to income or other material Taxes for which the Company is liable has been granted or has been requested in writing. The Company is not currently the beneficiary of any extension of time within which to file any income or other material Tax Return. All material deficiencies asserted in writing or assessments made in writing, as a result of any examinations by any Tax Authority of Tax Returns of the Company, have been fully paid or are being contested in good faith, and no other audits or investigations by any Tax Authority relating to any such Tax Returns are in progress with respect to which the Company has received written notice thereof from a Tax Authority.

(d) The Company (i) is not a party to any Tax sharing or similar Tax agreements (relating to sharing of consolidated, combined or unitary Taxes among members of a consolidated, combined or unitary group) pursuant to which it will have any obligation to make any material payments after the Accounts Date, other than any such obligations that arise pursuant to this Agreement, or (ii) except with respect to the group of which it is currently a member, has any liability for the Taxes of any Person (whether under Treasury Regulation Section 1.1502-6 or any similar provision of state, local or foreign law, as a transferee or successor, pursuant to any Tax sharing or indemnity agreement or other contractual agreements, or otherwise).

(e) There are no Tax rulings, requests for rulings, or closing agreements relating to the Company which will materially affect the Company's liability for Taxes for any Taxable period after the Accounts Date.

(f) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any Taxable period ending after the Accounts Date, as a result of (i) a change in accounting method for any Pre-Accounts Date Taxable Period, pursuant to Section 481 of the Code or change in the basis for determining any item described in Section 807(c) of the Code under Section 807(f) of the Code (in each case, or any corresponding provision

of Law), (ii) installment sale or open transaction disposition made prior to the Accounts Date or (iii) prepaid amount received on or prior to the Accounts Date.

(g) The Company has not been a “distributing corporation” or a “controlled corporation” within the meaning of Section 355 of the Code in the two years prior to the date of this Agreement.

(h) The Company has not participated in a reportable transaction within the meaning of Treasury Regulation Section 1.6011-4(b).

(i) There are no Liens for Taxes upon any assets of the Company, except for Permitted Liens.

(j) The Company qualifies as a life insurance company for the purposes of the Code and is, and always has been, subject to taxation under Subchapter L of the Code.

Section 5.12, this Section 5.19 and Section 5.20 contain the sole and exclusive representations and warranties related to Tax matters and nothing in this Section 5.19 shall cause Seller to be liable for any Taxes for which Seller is not expressly liable pursuant to Section 10.01. None of the representations and warranties in this Section 5.19 are made with respect to Taxes in respect of any insurance or annuity policies and contracts, or any binders, slips, certificates, endorsements or riders thereto, including any obligation in respect of withholding, information reporting or record keeping in respect thereto. For the avoidance of doubt, Seller shall be liable for any inaccuracy or breach of any representation or warranty made in Section 5.12 or Section 5.20 in accordance with Article XIII.

#### Section 5.20 Insurance-Product-Related Tax Matters.

(a) The Tax treatment of each Insurance Contract is not, and, since the time of issuance (or subsequent modification), has not been, less favorable to the purchaser, policyholder or intended beneficiaries thereof, than the Tax treatment either (i) that was purported to apply in any written materials provided by the Company (or, to the Knowledge of Seller, by Distributors) to the purchaser (or policyholder) at the time of issuance (or any subsequent modification of such policy) or (ii) for which such policy was intended or reasonably expected to apply at the time of issuance (or subsequent modification). For purposes of this Section 5.20, the provisions of applicable Law relating to the Tax treatment of such Insurance Contracts shall include, but not be limited to, Sections 72, 101, 401 through 409A, 412, 415, 417, 457, 817, 7702, 7702A, 7702B of the Code and any Treasury Regulations and administrative guidance issued thereunder.

(b) All Insurance Contracts that are subject (i) neither to Section 101(f) nor to Section 7702 of the Code qualify as life insurance contracts for purposes of the Code, (ii) to Section 101(f) of the Code satisfy the requirements of that section and otherwise qualify as life insurance contracts for purposes of the Code and (iii) to Section 7702 of the Code satisfy the requirements of Section 7702(a) of the Code and otherwise qualify as life insurance contracts for purposes of the Code.

(c) None of the Insurance Contracts is a “modified endowment contract” within the meaning of Section 7702A of the Code, except for any Insurance Contract that is being administered as a “modified endowment contract” and with respect to which the policyholder consented in writing to the treatment of such Insurance Contract as a “modified endowment contract” and has not acted to revoke such consent.

(d) Each Insurance Contract that is subject to Section 817 of the Code complies with, and, at all times since issuance, has complied with, the diversification requirements applicable thereto, and the Company is treated, for federal Tax purposes, as the owner of the assets underlying such Insurance Contract.

(e) The Company has not entered into any agreement or is involved in any discussions or negotiations with the IRS or any other Governmental Authority, or otherwise has requested relief from the IRS, regarding any Insurance Contract to meet the requirements of applicable Law, including Sections 72, 101, 401 through 409A, 412 515, 417, 457, 817, 7702 and 7702A of the Code and any Treasury Regulations and administrative guidance issued thereunder, as applicable to such Insurance Contracts.

(f) The Company is not a party to nor has received written notice of any federal, state, local or foreign audits or other administrative or judicial Actions with respect to any party with regard to the Tax treatment of any Insurance Contracts, or of any claims by the purchasers, holders or intended beneficiaries of the Insurance Contracts regarding the Tax treatment of the Insurance Contracts or any plan or arrangement in connection with which such Insurance Contracts were purchased or have been administered.

(g) The Company is not a party to any “hold harmless,” Tax sharing or indemnification agreement with any party regarding the Tax treatment of the Insurance Contracts or any plan or arrangement in connection with which such Insurance Contracts were purchased or have been administered.

This Section 5.20 contains the sole and exclusive representations and warranties made with respect to Taxes in respect of any Insurance Contracts, including any obligations in respect of withholding, information reporting or record keeping in respect thereof, or the Tax treatment thereof.

#### Section 5.21 Actuarial Appraisal; Reserves.

(a) Seller has delivered to Buyer a true, complete and correct copy of the actuarial appraisal prepared by Griffith, dated July 24, 2017 and titled “Actuarial Appraisal of United Life Insurance Company as of December 31, 2016” (the “Actuarial Appraisal”) and as of the date hereof Griffith has not furnished to Seller or any of its Affiliates any addenda, supplements and modifications to such appraisal. As of the date hereof, Griffith has not notified Seller or any of its Affiliates in writing that the Actuarial Appraisal is inaccurate in any material respect. The factual information and data provided by Seller and its Affiliates to Griffith expressly in connection with the preparation of the Actuarial Appraisal (i) was obtained from the books and records of the Company and the Business and (ii) was complete and accurate in all material respects as of the date

so provided, subject in each case to any limitations and qualifications contained in the Actuarial Appraisal.

(b) The Reserves of the Company contained in its Statutory Statements as of and for the annual periods ended December 31, 2014, 2015 and 2016, except as otherwise noted in such Statutory Statements: (i) were determined in all material respects in accordance with generally accepted actuarial standards consistently applied and were fairly stated, in all material respects, in accordance with sound actuarial principles in effect as of the date of such Statutory Statement (except as otherwise noted in the Statutory Statements), (ii) were based on actuarial assumptions which produced reserves at least as great as those called for in any contract provision as to reserve basis and method and (iii) satisfied the requirements of all applicable Law and SAP in all material respects.

Section 5.22 Regulatory Filings.

(a) The Company has filed all material reports, statements, registrations, filings, notices or submissions required to be filed with any Governmental Authority since January 1, 2014, all such reports, statements, registrations, filings, notices or submissions were in material compliance with applicable Laws when filed, and no material deficiencies have been asserted by any such Governmental Authority with respect to such registrations, filings or submissions that have not been addressed or satisfied.

(b) Seller has made available to Buyer true, complete and correct copies of (i) any material reports of examination (including financial, market conduct and similar examinations) of the Company issued by any insurance Governmental Authority and all material written correspondence in connection with such reports, in any case, since January 1, 2014, (ii) all material Insurance Holding Company System Act filings or submissions made by the Company with any insurance Governmental Authority since January 1, 2014 through the date hereof and (iii) all analyses and reports submitted by the Company to the Iowa Insurance Division since January 1, 2014 relating to its risk-based capital calculations, with the exception of the Own Risk Solvency Assessment (“ORSA”) Summary Report, which is prepared on a consolidated-basis and contains proprietary and confidential competitive information about Seller’s property and casualty segment. As of the date hereof, all material deficiencies or violations noted in the examination reports described in clause (i) above have been resolved to the reasonable satisfaction of the insurance Governmental Authority that noted such deficiencies or violations. To the Knowledge of Seller, as of the date hereof there are no examinations, investigations or material inquiries by any state insurance regulatory examiners in progress with respect to the Company.

(c) The Company is not “commercially domiciled” under the Laws of any jurisdiction or is otherwise treated as domiciled in a jurisdiction other than its jurisdiction of organization.

Section 5.23 Brokers. SELLER IS SOLELY RESPONSIBLE FOR THE PAYMENT OF THE FEES AND EXPENSES OF ANY BROKER, INVESTMENT BANKER, FINANCIAL ADVISER OR OTHER PERSON ACTING IN A SIMILAR CAPACITY IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR

ANY OF THE TRANSACTION AGREEMENTS BASED UPON ARRANGEMENTS MADE BY OR ON BEHALF OF SELLER OR ANY AFFILIATE.

Section 5.24 IT Systems; Data Protection and Privacy.

(a) The IT Systems (i) are in good repair and operating condition and are adequate and suitable (including with respect to working condition, security, performance and capacity) in all material respects for the conduct of the Business and (ii) to the Knowledge of the Seller do not contain any “malware” or viruses that would reasonably be expected to interfere with the ability of Seller, its Affiliates or the Company to conduct the Business or present a material risk of unauthorized access, disclosure, use, corruption, destruction or loss of any data, personally identifiable information, or non-public information. Since January 1, 2014, there have been no material data breaches.

(b) Since January 1, 2014, (i) a privacy statement regarding Seller’s, its Affiliates’ and the Company’s use, including the collection, protection and disclosure, of the data, personally identifiable information or non-public information of individuals (including visitors to the websites of the Business and users of mobile applications) in connection with the Business, has been and is posted and accessible to individuals on each such website or mobile application and (ii) Seller, its Affiliates and the Company, in each case to the extent relating to the Business, have been and are in compliance in all material respects with any such privacy statement and in all material respects with applicable Laws, regulatory guidelines, and contractual requirements pertaining to such data, personally identifiable information or non-public information.

(c) Since January 1, 2014, Seller, its Affiliates and the Company have not, in each case with respect to the Business, received any written claims, notices or complaints regarding the use by Seller, its Affiliates, or the Company of any data, personally identifiable information or non-public information of individuals, alleging a violation of any such individual’s privacy, personal or confidentiality rights under any applicable privacy statement. The consummation of the transactions contemplated by this Agreement or any of the other Transaction Agreements will not violate any such privacy statement.

(d) Seller, its Affiliates and the Company (i) have implemented, maintain, and comply with commercially reasonable written information security, business continuity and backup and disaster recovery programs, plans and procedures with respect to the IT Systems that are consistent with applicable Law, and (ii) have taken commercially reasonable steps to test such programs, plans and procedures on no less than an annual basis, and such programs, plans and procedures have been proven effective upon such testing in all material respects. Since January 1, 2014, (x) there has been no failure, breakdown, persistent substandard performance, unauthorized access or use, or other deficiency or event materially affecting any of the IT Systems, and (y) Seller, its Affiliates and the Company have not been notified by any third Person (including pursuant to an audit of the Business by such third Person) of, nor does Seller have any Knowledge of, any material data security, information security or other technological deficiency with respect to the IT Systems, in each case of (x) and (y), that has caused or could reasonably be expected to cause any material disruption to the conduct of the Business or present a material risk of unauthorized access,

disclosure, use, corruption, destruction or loss of any data, personally identifiable information or material non-public information.

Section 5.25 Sufficiency of Assets. AS OF THE EFFECTIVE TIME, THE ASSETS, PROPERTIES AND RIGHTS OF THE COMPANY AND THE ASSETS, PROPERTIES, RIGHTS AND SERVICES PROVIDED OR MADE AVAILABLE TO BUYER OR THE COMPANY PURSUANT TO THE TRANSACTION AGREEMENTS (TAKING INTO ACCOUNT, IN THE CASE OF THE TRANSITION SERVICES AGREEMENT, ONLY SCHEDULED SERVICES AND DISREGARDING ANY RIGHT TO OBTAIN OMITTED SERVICES), WILL COMPRISE ALL OF THE ASSETS, PROPERTIES AND RIGHTS REASONABLY REQUIRED TO PERMIT THE BUYER AND ITS AFFILIATES TO CONDUCT THE BUSINESS IMMEDIATELY FOLLOWING THE CLOSING IN SUBSTANTIALLY THE SAME MANNER AS THE BUSINESS WAS BEING CONDUCTED BY SELLER AND ITS AFFILIATES AS OF THE ACCOUNTS DATE.

Section 5.26 NO OTHER REPRESENTATIONS OR WARRANTIES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY TRANSACTION AGREEMENT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN ARTICLE IV OR THIS ARTICLE V (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULE) OR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN ANY OTHER TRANSACTION AGREEMENT, NEITHER SELLER NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO SELLER, THE BUSINESS, THE SHARES, THE COMPANY OR THE ASSETS AND PROPERTIES OF THE COMPANY, AND SELLER DISCLAIMS ANY OTHER REPRESENTATIONS, WARRANTIES, FORECASTS, PROJECTIONS, STATEMENTS OR INFORMATION, WHETHER MADE BY SELLER OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, DISTRIBUTORS OR REPRESENTATIVES. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE IV OR THIS ARTICLE V OR ANY OTHER TRANSACTION AGREEMENT, NO REPRESENTATION OR WARRANTY HAS BEEN OR IS BEING MADE WITH RESPECT TO ANY PROJECTIONS, FORECASTS, BUSINESS PLANS, ESTIMATES OR BUDGETS DELIVERED OR MADE AVAILABLE TO BUYER OR ANY OTHER PERSON.

## **ARTICLE VI REPRESENTATIONS AND WARRANTIES REGARDING BUYER**

Except as set forth in the correspondingly identified subsection of the Buyer Disclosure Schedule, Buyer hereby represents and warrants to Seller as follows as of the date hereof and as of the Closing Date (except for such representations and warranties which address matters only as of a specific date, which representations and warranties shall be true and correct made as of such specific date):

Section 6.01 Incorporation and Authority of Buyer.

(a) Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of Delaware. Each Buyer Party is a corporation or other legal entity duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction in which it is incorporated or organized.

(b) Each of Buyer and each Buyer Party has all requisite corporate power and authority to enter into, consummate the transactions contemplated by, and carry out its obligations under, each of the Transaction Agreements to which Buyer and each Buyer Party is or will be a party (the "Buyer Transaction Agreements"). The execution and delivery by Buyer and each Buyer Party of the Buyer Transaction Agreements, the consummation by Buyer and each Buyer Party of the transactions contemplated by, and the performance by Buyer and each Buyer Party of its obligations under, the Buyer Transaction Agreements have been (or will be prior to the Closing) duly authorized by all requisite corporate action on the part of Buyer and each Buyer Party, and no additional corporate proceedings on the part of Buyer or any Buyer Party are necessary to approve or authorize the Transaction Agreements, the consummation by Buyer and each Buyer Party of the transactions contemplated thereby or the performance by Buyer and Buyer Party of its obligations under such Transaction Agreements. This Agreement has been, and upon execution and delivery, the other Buyer Transaction Agreements will be, duly executed and delivered by Buyer or other Buyer Party thereto, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes, and upon execution and delivery thereof, each of the other Buyer Transaction Agreements will constitute (assuming due authorization, execution and dealing by each other party to such Buyer Transaction Agreements) the legal, valid and binding obligation of Buyer or such other Buyer Party as applicable, enforceable against Buyer or such other Buyer Party in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 6.02 No Conflict. PROVIDED THAT ALL CONSENTS, APPROVALS, AUTHORIZATIONS AND OTHER ACTIONS DESCRIBED IN SECTION 6.03 HAVE BEEN OBTAINED OR TAKEN, EXCEPT AS OTHERWISE PROVIDED IN THIS ARTICLE VI AND EXCEPT AS MAY RESULT FROM ANY FACTS OR CIRCUMSTANCES SOLELY RELATING TO SELLER OR ITS AFFILIATES (AS OPPOSED TO ANY THIRD PARTY), THE EXECUTION, DELIVERY AND PERFORMANCE BY BUYER AND EACH BUYER PARTY OF, AND THE CONSUMMATION BY BUYER AND EACH BUYER PARTY OF THE TRANSACTIONS CONTEMPLATED BY, THE BUYER TRANSACTION AGREEMENTS DO NOT AND WILL NOT (A) VIOLATE OR CONFLICT WITH THE ORGANIZATIONAL DOCUMENTS, OR RESOLUTIONS OF THE BOARD OF DIRECTORS OR SHAREHOLDERS, OF BUYER OR ANY BUYER PARTY, (B) VIOLATE OR CONFLICT WITH ANY LAW OR OTHER GOVERNMENTAL ORDER APPLICABLE TO BUYER OR ANY BUYER PARTY OR BY WHICH IT OR ITS PROPERTIES, ASSETS OR RIGHTS IS BOUND OR SUBJECT OR (C) RESULT IN ANY BREACH OR VIOLATION OF, OR CONSTITUTE A DEFAULT (WITH OR WITHOUT THE GIVING OF NOTICE OR LAPSE OF TIME, OR BOTH) UNDER, OR GIVE TO ANY PERSON ANY RIGHTS OF TERMINATION, ACCELERATION, IMPAIRMENT,

ALTERATION OR CANCELLATION OF, OR RESULT IN RIGHTS TO RECEIVE ADDITIONAL PAYMENT UNDER, ANY OTHER CHANGE OF RIGHTS OR OBLIGATIONS, THE LOSS OF BENEFITS UNDER, OR THE CREATION OF ANY LIEN (OTHER THAN PERMITTED LIENS) ON ANY OF THE ASSETS, PROPERTIES OR RIGHTS OF BUYER OR ANY BUYER PARTY PURSUANT TO ANY MATERIAL NOTE, BOND, MORTGAGE, INDENTURE OR CONTRACT WHICH BUYER, OR ANY BUYER PARTY OR ANY OF THEIR SUBSIDIARIES IS A PARTY OR BY WHICH ANY OF SUCH ASSETS, PROPERTIES OR RIGHTS IS BOUND OR SUBJECT, EXCEPT, IN THE CASE OF CLAUSE (C), ANY SUCH CONFLICTS, VIOLATIONS, BREACHES, DEFAULTS, RIGHTS OR LIENS THAT, INDIVIDUALLY OR IN THE AGGREGATE, DO NOT HAVE, AND WOULD NOT REASONABLY BE EXPECTED TO HAVE, A BUYER MATERIAL ADVERSE EFFECT.

Section 6.03 Consents and Approvals. EXCEPT AS MAY RESULT FROM ANY FACTS OR CIRCUMSTANCES SOLELY RELATING TO SELLER OR ITS AFFILIATES (AS OPPOSED TO ANY OTHER THIRD PARTY), THE EXECUTION, DELIVERY AND PERFORMANCE BY BUYER AND EACH BUYER PARTY OF, AND THE CONSUMMATION BY BUYER AND THE BUYER PARTIES OF THE TRANSACTIONS CONTEMPLATED BY, THE BUYER TRANSACTION AGREEMENTS TO WHICH ANY OF THEM IS OR WILL BE A PARTY DO NOT, AND WILL NOT, REQUIRE ANY GOVERNMENTAL APPROVAL TO BE OBTAINED OR MADE BY BUYER, ANY BUYER PARTY OR ANY OF THEIR AFFILIATES PRIOR TO THE CLOSING.

Section 6.04 Absence of Litigation. THERE ARE NO ACTIONS PENDING OR, TO THE KNOWLEDGE OF BUYER, THREATENED AGAINST BUYER THAT QUESTION THE VALIDITY OF, OR SEEK INJUNCTIVE RELIEF WITH RESPECT TO, ANY OF THE BUYER TRANSACTION AGREEMENTS OR THE RIGHT OF BUYER OR ANY BUYER PARTY TO ENTER INTO ANY OF THE BUYER TRANSACTION AGREEMENTS.

Section 6.05 Securities Matters. THE SHARES ARE BEING ACQUIRED BY BUYER FOR ITS OWN ACCOUNT AND WITHOUT A VIEW TO THE PUBLIC DISTRIBUTION OR SALE OF THE SHARES OR ANY INTEREST IN THEM. BUYER HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS SO AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF ITS INVESTMENT IN THE SHARES, AND BUYER IS CAPABLE OF BEARING THE ECONOMIC RISKS OF SUCH INVESTMENT, INCLUDING A COMPLETE LOSS OF ITS INVESTMENT IN THE SHARES. BUYER UNDERSTANDS THAT IT MAY NOT SELL, TRANSFER, ASSIGN, PLEDGE OR OTHERWISE DISPOSE OF ANY OF THE SHARES OTHER THAN PURSUANT TO A REGISTERED OFFERING IN COMPLIANCE WITH, OR IN A TRANSACTION EXEMPT FROM, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS.

Section 6.06 Financial Ability. BUYER HAS SUFFICIENT CAPITAL COMMITMENTS, AND WILL HAVE AT THE CLOSING SUFFICIENT IMMEDIATELY AVAILABLE FUNDS, TO PAY IN CASH THE PURCHASE PRICE AND ALL OTHER AMOUNTS PAYABLE PURSUANT TO THIS AGREEMENT OR OTHERWISE NECESSARY



TO TIMELY CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT AND THE OTHER BUYER TRANSACTION AGREEMENTS. NEITHER BUYER NOR ANY BUYER PARTY HAS INCURRED ANY LIABILITIES OR OBLIGATIONS, OR IS CONTEMPLATING OR AWARE OF ANY LIABILITIES OR OBLIGATIONS, IN EITHER CASE, THAT WOULD IMPAIR ITS ABILITY TO PAY IN CASH THE PURCHASE PRICE AT CLOSING. BUYER HEREBY ACKNOWLEDGES THAT THE OBLIGATIONS OF BUYER AND THE BUYER PARTIES TO EFFECT THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT AND THE OTHER BUYER TRANSACTION AGREEMENTS IN ACCORDANCE WITH THEIR TERMS ARE NOT CONDITIONED UPON THE AVAILABILITY TO BUYER OR ANY OF ITS AFFILIATES OF ANY DEBT, EQUITY OR OTHER FINANCING IN ANY AMOUNT WHATSOEVER.

Section 6.07 Investigation. BUYER HAS MADE ITS OWN INQUIRY AND INVESTIGATION INTO, AND, BASED THEREON, HAS FORMED AN INDEPENDENT JUDGMENT CONCERNING, THE COMPANY AND THE BUSINESS. THE ONLY REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS MADE BY SELLER ARE THE REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS EXPRESSLY MADE IN THIS AGREEMENT AND THE OTHER TRANSACTION AGREEMENTS AND SELLER MAKES NO OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO THE COMPANY OR THE BUSINESS, AND NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO ANY INFORMATION PROVIDED BY SELLER OR ITS AFFILIATES OR REPRESENTATIVES, WHETHER OR NOT IN THE ELECTRONIC DATA ROOM ESTABLISHED BY SELLER FOR BUYER, INCLUDING AS TO (I) THE OPERATION OF THE COMPANY BY BUYER AFTER THE CLOSING IN ANY MANNER OR (II) THE PROBABLE SUCCESS OR PROFITABILITY OF THE OWNERSHIP, USE OR OPERATION OF THE COMPANY OR THE BUSINESS BY BUYER AFTER THE CLOSING. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF SELLER EXPRESSLY SET FORTH HEREIN OR IN ANY OF THE OTHER TRANSACTION AGREEMENTS, BUYER HAS NOT RELIED UPON ANY REPRESENTATIONS OR WARRANTIES OR OTHER INFORMATION MADE OR SUPPLIED BY OR ON BEHALF OF SELLER OR BY ANY AFFILIATE OF SELLER.

Section 6.08 Brokers; Independent Assessment.

(a) Buyer is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement or any of the Transaction Agreements based upon arrangements made by or on behalf of Buyer or any Affiliate.

(b) Buyer has not been induced by and has not relied upon any representations, warranties or statements, whether express or implied, made by Seller, the Company, or their respective Affiliates or Representatives that are not expressly set forth in Article IV and Article V (including the Seller Disclosure Schedule) or in any of the other Transaction Agreements, whether or not any such representations, and warranties or statements were made in writing or orally. Except as otherwise set forth herein or in the other Transaction Agreements and without limiting the scope

of the other representations and warranties set forth in Article IV or Article V or in the other Transaction Agreements:

(i) none of the Company, Seller or their Affiliates or Representatives makes or has made any representation or warranty, express or implied, as to the prospects of the Company or its profitability for Buyer, or with respect to any forecasts, projections or business plans made available to Buyer or any other Person (including Buyer's Affiliates or Representatives) in connection with Buyer's review of the Company and the Business; and

(ii) any estimates, projections and predictions contained or referred to in the materials that have been provided or made available to Buyer by or on behalf of Seller, including any confidential information memorandum, the Actuarial Appraisal or any other communication by or on behalf of Griffith, the electronic data room and all management presentations established or provided in connection with the transactions contemplated by this Agreement, (A) are not and shall not be deemed to be representations or warranties of Seller or any of its Affiliates and (B) other than in the case of fraud, shall not form the basis, in whole or in part, for any claim against Seller or any of its Affiliates.

(c) Without limiting the generality of the foregoing, except as expressly set forth in the representations and warranties in Article IV and Article V or in the other Transaction Agreements, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY ASSETS THAT ARE TANGIBLE PERSONAL PROPERTY ARE BEING CONVEYED ON AN "AS IS," "WHERE IS," AND "WITH ALL FAULTS" BASIS.

Section 6.09 Regulatory Matters. WITHIN THE PAST FIVE (5) YEARS, NO GOVERNMENTAL AUTHORITY HAS REVOKED ANY LICENSE OR STATUS HELD BY BUYER TO CONDUCT INSURANCE OPERATIONS. TO THE KNOWLEDGE OF BUYER, (A) AS OF THE DATE HEREOF, BUYER AND ITS AFFILIATES MEET ALL OF THE REQUIREMENTS ON THE PART OF SUCH RESPECTIVE ENTITY SET FORTH BY APPLICABLE LAW (INCLUDING THE LAWS OF ITS JURISDICTION OF FORMATION) IN EFFECT AS OF THE DATE HEREOF IN ORDER FOR THE GOVERNMENTAL APPROVALS LISTED IN SCHEDULE 11.01(B) AND SCHEDULE 11.02(B) TO BE OBTAINED, AND (B) THERE ARE NO FACTS, EVENTS OR CIRCUMSTANCES EXISTING AS OF THE DATE HEREOF, INVOLVING OR RELATING TO BUYER OR ANY OF ITS AFFILIATES, THAT MAY PREVENT OR MATERIALLY DELAY THE GRANTING OF ANY SUCH GOVERNMENTAL APPROVALS.

Section 6.10 Equity Financing.

(a) Buyer has delivered to Seller and the Company a true and complete copy of the Equity Commitment Letter, among Buyer and Sponsor, relating to Sponsor's commitment, subject to the terms and conditions thereof, to invest directly or indirectly the amounts set forth therein on the date on which the Closing should occur pursuant to the terms hereof and to which Seller is an express third party beneficiary with the rights set forth therein (the "Equity Financing").

(b) Assuming the Equity Financing is funded in accordance with the Equity Commitment Letter and performance in all material respects by Seller of its obligations under this Agreement, the amount of the commitments under the Equity Commitment Letter is sufficient and the aggregate net proceeds from the Equity Financing when funded in accordance with the Equity Commitment Letter, together with other funds available to Buyer, are sufficient and will be sufficient to fund all amounts required to be paid by Buyer on the Closing Date, including the payment of the Purchase Price, in accordance with the terms of this Agreement.

(c) The Equity Commitment Letter is in full force and effect and has not been withdrawn, terminated or rescinded or otherwise amended, supplemented or modified (or contemplated to be amended, supplemented or modified) in any respect. The Equity Commitment Letter, in the form delivered to Seller, is a legal, valid and binding obligation of Buyer and Sponsor, enforceable against such parties in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws of general application relating to or affecting creditors' rights and to general equity principles. There are no side letters or other contracts or arrangements relating to the Equity Financing. No event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Buyer under any term, or a failure of any condition, of the Equity Commitment Letter or otherwise result in any portion of the Equity Financing contemplated thereby being unavailable on the date on which the Closing should occur pursuant to the terms hereof. Assuming the performance in all material respects by Seller of its obligations under this Agreement and satisfaction of the closing conditions set forth in Section 11.02, Buyer has no reason to believe that it or Sponsor would be unable to satisfy on a timely basis any term or condition of the Equity Commitment Letter required to be satisfied by it. No commitment fees or other fees are required to be paid to Sponsor under the Equity Commitment Letter. There are no conditions precedent or other contingencies related to the funding or investing, as applicable, of the full amount of the Equity Financing, other than as expressly set forth in the Equity Commitment Letter.

Section 6.11 NO OTHER REPRESENTATIONS OR WARRANTIES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY TRANSACTION AGREEMENT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN ARTICLE VI (AS MODIFIED BY THE BUYER DISCLOSURE SCHEDULE) OR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN ANY OTHER TRANSACTION AGREEMENT, NEITHER BUYER NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO BUYER OR ANY OF ITS AFFILIATES OR INVESTORS, AND BUYER DISCLAIMS ANY OTHER REPRESENTATIONS, WARRANTIES, FORECASTS, PROJECTIONS, STATEMENTS OR INFORMATION, WHETHER MADE BY BUYER OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, DISTRIBUTORS OR REPRESENTATIVES.

## **ARTICLE VII ACTIONS PRIOR TO THE CLOSING DATE**

Section 7.01 Conduct of Business Prior to the Closing.

(a) Except as required by applicable Law, as required by the terms of this Agreement, or as set forth in Schedule 7.01 (a), from the date of this Agreement through the Closing Date, unless Buyer otherwise consents in advance in writing, Seller shall, and shall cause its Affiliates to, refrain from taking any of the following actions:

(i) institute any new or increase or accelerate the vesting or payment of any amounts or benefits under any Employee Benefit Plan for any Business Employee, other than (A) as required by the terms of any such Employee Benefit Plan as in effect on the date hereof or (B) increases in the ordinary course of business consistent with past practices that apply to substantially all similarly-situated employees of Seller and its Affiliates;

(ii) (A) terminate the employment of any Business Employee having a title of Assistant Vice President or more senior, other than for cause or poor performance, (B) hire any Business Employee with a title of Assistant Vice President or more senior except to fill any position which is or becomes vacant (in which event Seller shall consult in good faith with Buyer prior to hiring such individual), (C) transfer or reallocate the services of any employee of the Seller or its Affiliates who is not a Business Employee such that he or she becomes a Business Employee or an employee of the Company or (D) transfer or reallocate the services of any Business Employee to another role with Seller or Seller Parties such that he or she ceases to be a Business Employee;

(iii) enter into, or amend in any material respect, any employment contracts with executive officers of the Company; or

(iv) enter into any legally binding commitment with respect to any of the foregoing.

(b) Except as required by applicable Law, as required by the terms of this Agreement, or as set forth in Schedule 7.01 (b), from the date of this Agreement through the Closing Date, unless Buyer otherwise consents in advance in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall (A) cause the Company to conduct its business in the ordinary course consistent with past practices, (B) use reasonable best efforts to preserve intact the Business, Permits and relationships with policyholders, beneficiaries, Distributors, reinsurers, Business Employees, vendors, Governmental Authorities and others having dealings with the Company or the Business and (C) cause the Company to refrain from taking any of the following actions:

(i) declare, set aside, make or pay any dividend or other distribution (in cash, stock or otherwise) in respect of the Capital Stock of the Company or otherwise acquire, repurchase or redeem any Capital Stock or other securities of the Company;

(ii) transfer, issue, sell, pledge or dispose of any Capital Stock or other securities of the Company or grant options, warrants, calls or other rights to purchase or otherwise acquire Capital Stock or other securities of the Company;

(iii) adopt a plan of complete or partial liquidation or rehabilitation or authorize or undertake a merger, dissolution, rehabilitation, consolidation, restructuring, recapitalization or other reorganization;

(iv) effect any recapitalization, subdivision, reclassification, stock split or combination or similar change with respect to the capitalization of the Company;

(v) reincorporate or amend the certificate of incorporation or by-laws of the Company, redomesticate the Company, or surrender or withdraw any Permit;

(vi) make any material change in the Investment Guidelines and Policies or the policies, practices or principles of the Company relating to underwriting, claims administration, reserving, financial accounting, as applicable, in effect on the date hereof (other than any change required by GAAP or SAP), or fail to comply with Investment Guidelines and Policies or any such other policies, principles or practices in any material respect;

(vii) make any material change in policies, practices or principles applicable to the setting of non-guaranteed elements with respect to the Insurance Contracts;

(viii) incur any indebtedness to any Person for borrowed money (other than current trade accounts payable incurred in respect of property or services purchased in the ordinary course of business consistent with past practices) or assume, grant, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any Person, or make any loans or advances (other than, in each case, in respect of transactions in the Investment Assets, in the ordinary course of business consistent with past practices and in accordance with the Investment Guidelines and Policies), other than upon commercially reasonable, arm's-length terms and in individual amounts not in excess of \$100,000 or in an aggregate amount in excess of \$250,000;

(ix) other than in the ordinary course of business consistent with past practices, modify, amend (in any material respect), recapture, extend or terminate (other than at its stated expiry date) any Material Contract, Intercompany Agreement, Shared Contract or any Reinsurance Agreement, or waive, release or assign any material rights or claims thereunder, or enter into any contract which would, if entered into prior to the date hereof, have been a Material Contract, Intercompany Agreement, Shared Contract or Reinsurance Agreement;

(x) other than with respect to the Investment Assets purchased, sold, transferred, leased, exchanged or otherwise disposed or in the ordinary course of business consistent with past practices in accordance with the Investment Guidelines and Policies, purchase, sell, transfer, license, lease, exchange or otherwise dispose of or acquire any property, assets or rights in any individual transaction in excess of \$100,000 or in the aggregate in excess of \$250,000 or permit any of its material assets, properties or rights to become subject to any Lien other than Permitted Liens;

(xi) acquire (by merger, consolidation, acquisition of stock or assets, bulk reinsurance or otherwise) any corporation, partnership, joint venture, association or other business organization or division thereof, or substantially all of the assets of any of the foregoing except for acquisitions of Investment Assets in the ordinary course of business consistent with past practices in accordance with the Investment Guidelines and Policies;

(xii) settle any litigation or claim against the Company (other than claims under insurance or annuity policies and contracts, or any binders, slips, certificates, endorsements or riders thereto, within applicable policy limits), other than any such settlement that is solely a monetary settlement (A) that requires payment by the Company of less than \$25,000 or (B) to the extent reserved against in the Financial Statements; provided, in each case of the exceptions in clauses (A) and (B), that the Company does not admit a material breach or violation of Law or any material contractual obligation;

(xiii) modify the terms of, or default under, any indebtedness or, other than in the ordinary course of business and consistent with past practices, cancel or compromise any material indebtedness or waive any material rights without receiving a realizable benefit of similar or greater value;

(xiv) fail to pay or satisfy when due any material Liability of the Company (other than any such Liability that is being contested in good faith);

(xv) enter into any new line of business, introduce any new products, or change in any material respect existing products;

(xvi) fail to timely file with Governmental Authorities all required annual and quarterly statutory financial statements and other material insurance regulatory filings;

(xvii) undertake or commit to make any capital expenditures for which the aggregate consideration paid or payable in any individual transaction is in excess of \$100,000 or in the aggregate in excess of \$250,000;

(xviii) make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, or take any action that may result in a material increase in the Taxes payable by or on behalf of the Company in any Post-Accounts Date Taxable Period; provided, however, that Seller and its Affiliates shall be permitted to carryback net operating losses and capital losses of the Company;

(xix) abandon, modify, waive, surrender, withdraw or terminate any Permit other than in the ordinary course consistent with past practices; or

(xx) enter into any legally binding commitment with respect to any of the foregoing.

(c) From the date hereof until the Closing:

(i) Seller shall deliver to Buyer copies of any material correspondence received by the Company from any Governmental Authority (other than routine administrative matters), including any such correspondence that contains any assertion of any failure of the Company to comply with applicable Law in any material respect, notice of any pending audit, examination or investigation, or any findings or conclusions arising out of any such audit, examination or investigation, and copies of any material correspondence sent by the Company to any Governmental Authority relating to any such matters; provided that all such correspondence provided to Buyer pursuant to this Section 7.01(c) shall be subject to the terms and conditions of the Confidentiality Agreement; and

(ii) Seller shall, and shall cause its Representatives to, as and when reasonably requested by Buyer and at Buyer's expense, provide reasonable and customary cooperation and assistance to Buyer and its Affiliates in connection with the update or issuance of any financial strength rating or other credit rating of the Company by any recognized rating agency, including by providing written materials for delivery to or use in presentations to any such rating agency and participating in a reasonable number meetings with such rating agencies.

#### Section 7.02 Access to Information.

(a) From the date of this Agreement until the Closing Date, Seller shall, and shall cause its Affiliates to, give Buyer and its authorized Representatives, upon reasonable advance written notice and during regular business hours, reasonable access to all information, books, records, Business Employees, officers and other facilities and properties of the Company and the Business; provided, that any such access shall be conducted at Buyer's expense, in accordance with applicable Law (including any applicable Law relating to antitrust, competition, employment or privacy issues), under the supervision of Seller's or its Affiliates' personnel and in such a manner as to maintain confidentiality and not to unreasonably interfere with the normal operations of Seller and its Affiliates (including the Company).

(b) Notwithstanding anything to the contrary contained in this Agreement or any other agreement between Buyer and Seller executed on or prior to the date hereof, Seller shall have no obligation to make available to Buyer or its Representatives, or to provide Buyer or its Representatives with access to or copies of (i) any personnel file, medical file or related records of any Business Employee, (ii) any Tax Return filed by Seller or any of its Affiliates (other than the Company) or predecessors, or any related material or (iii) any other information if Seller determines, in its reasonable judgment, that making such information available would (A) jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or (B) contravene any applicable Law, Governmental Order or any fiduciary duty, it being understood that Seller shall (x) cooperate with any requests for, and use its reasonable best efforts to obtain any waivers and (y) use its reasonable best efforts to make other arrangements (including redacting information or entering into joint defense agreements), in each case, that would enable any otherwise required disclosure to Buyer to occur without so jeopardizing any such privilege or immunity or contravening such applicable Law, Governmental Order or fiduciary duty.

Section 7.03 Regulatory and Other Authorizations; Consents.

(a) Each of Buyer and Seller shall, and shall cause each of its applicable Affiliates to, (i) as soon as reasonably practicable following the date hereof (and, in the case of such filings, applications and notifications, in no event more than ten (10) days following the date hereof) make all filings, applications and notifications with each Governmental Authority (including a "Form A" Acquisition of Control Statement to be filed with the Insurance Commissioner of the State of Iowa in substantially the form that has been provided by Buyer to Seller prior to the date hereof (with the remaining portions thereof duly completed in good faith as applicable)), and use its reasonable best efforts to promptly obtain all Governmental Approvals, in each case, that may be or become necessary for their respective execution and delivery of, and the performance of their respective obligations pursuant to, and the consummation of the transactions contemplated by, the Transaction Agreements and (ii) use reasonable best efforts to (A) prevent the initiation of, and defend any Action challenging this Agreement or any other Transaction Agreement or the consummation of the transactions contemplated hereby and thereby, (B) promptly provide to a Governmental Authority any non-privileged information and documents requested by such Governmental Authority or that are necessary, proper or advisable to permit consummation of the transactions contemplated by the Transaction Agreements and (C) avoid the entry of, or cause to be lifted or rescinded, any Governmental Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement and the other Transaction Agreements. The parties shall cooperate with the reasonable requests of each other in promptly seeking to obtain all such authorizations, consents, orders and approvals. Neither Seller nor Buyer shall take any action that they should be reasonably aware would have the effect of materially delaying, impairing or impeding the receipt of the Governmental Approvals listed in Schedule 11.01(b) and Schedule 11.02(b).

(b) In furtherance of and not in limitation of the foregoing, subject to the terms and conditions of this Agreement, Buyer and Seller shall, and shall cause their applicable Affiliates to, use reasonable best efforts to (i) comply with any conditions imposed by any Governmental Authority to its approval of the transactions contemplated by this Agreement or any other Transaction Agreement, (ii) prevent the enactment, entry, enforcement or promulgation of any applicable Law restraining or prohibiting the transactions contemplated by this Agreement or any other Transaction Agreement or (iii) cause to be vacated, modified or suspended any injunction or order that would make the consummation of the transactions contemplated by this Agreement or any other Transaction Agreement in accordance with its terms unlawful or that would prevent or materially delay the consummation of the transactions contemplated by this Agreement or any other Transaction Agreement, subject, in each case, to Section 7.03(d).

(c) Seller and Buyer shall promptly notify one another of any communication it receives from any Governmental Authority relating to the matters that are the subject of this Agreement and permit the other party to review in advance any proposed communication by such party to any Governmental Authority and shall provide each other with copies of all correspondence, filings or communications between such party or any of its Representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand; provided, that no party shall be required to disclose to the other any of its or its Affiliates' confidential competitive information or any personal identifiable information of their respective officers, directors or other applicable



individuals. Except as otherwise required or requested by the applicable Governmental Authority, neither Seller nor Buyer shall agree to participate in any meeting with any Governmental Authority (other than a telephone call initiated by such Governmental Authority and not scheduled in advance or ministerial telephone calls not expected to invoke a substantive discussion of the transactions contemplated hereunder or under the other Transaction Agreements) in respect of any such filings, investigation or other inquiry unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate at such meeting. Subject to the Confidentiality Agreement and Section 7.02, Seller and Buyer shall coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing; provided, that neither party shall be required to disclose to the other any of its or its Affiliates' confidential competitive information or any personally identifiable information of their respective officers, directors or other applicable individuals. Neither party shall be required to comply with any provision of this Section 7.03(c) to the extent that such compliance would be prohibited by applicable Law.

(d) Notwithstanding anything herein to the contrary, Buyer shall not be obligated to take or refrain from taking or to agree to it or its Affiliates (or the Company) taking or refraining from taking, any action, or to permit to exist any restriction, condition, limitation or requirement which, individually or together with all other such actions, restrictions, conditions, limitations or requirements imposed by Governmental Authorities in connection with the transactions contemplated by this Agreement or any other Transaction Agreement, would or would reasonably be expected to have a Company Material Adverse Effect or a material adverse effect on Buyer (any such actions, restrictions, conditions, limitations or requirements, a "Burdensome Condition"). Without the prior written consent of Buyer, Seller shall not, and shall cause its Affiliates not to, take or refrain from or to agree to the taking or refraining from any action or to permit or suffer to exist any restriction, condition, limitation or requirement that would or would reasonably be expected to result, individually or in the aggregate, in a Burdensome Condition being imposed by a Governmental Authority.

(e) Third-Party Consents.

(i) Prior to the Closing, except as otherwise agreed by the parties, the parties shall cooperate and use reasonable best efforts to make or obtain the Third-Party Consents required for the consummation of the transactions contemplated by this Agreement and the Transaction Agreements (including to comply with notice or consent requirements under any Material Contract or Reinsurance Agreement), including those Third-Party Consents set forth in Schedule 7.03(e). The aggregate costs associated with obtaining such Third-Party Consents or obtaining rights to replace any relevant assets or rights or required to separate any Shared Contracts pursuant to Section 7.4(a) shall be borne fifty percent (50%) by Buyer and fifty percent (50%) by Seller; provided, however, that neither party shall be required to compromise any right, asset or benefit or incur any Liabilities (other than costs and expenses) or commence or participate in any Action in order to obtain such Third-Party Consents. For the avoidance of doubt, the parties agree that any license fees or similar fees and expenses associated with new software licenses or services required to be

obtained from a third party for the Business shall be borne one hundred percent (100%) by Buyer, and such fees and expenses shall not be considered to be costs associated with obtaining Third-Party Consents or obtaining rights to replace any relevant assets or rights or required to separate any Shared Contracts pursuant to Section 7.4(a).

(ii) From and after the Closing Date through the first anniversary of the Closing Date, the parties shall continue to use their reasonable best efforts, with Buyer's cooperation and at Buyer's sole expense, to obtain, as promptly as practicable, any such required Third-Party Consents that have not been obtained as of the Closing Date; provided, however, that neither party shall be required to compromise any right, asset or benefit or incur any Liabilities (other than costs and expenses) or commence or participate in any Action in order to obtain such Third-Party Consents.

(iii) Until such time as each Third-Party Consent is obtained, Seller shall, and shall cause each of its Affiliates to, use reasonable best efforts to cooperate with Buyer in any lawful and economically feasible arrangement to provide that the Company shall receive the benefits associated with the applicable Material Contract or Reinsurance Agreement. Such arrangement may include performance by Seller or an Affiliate of Seller as agent, providing transition services under the Transition Services Agreement or subcontracting, sublicensing or subleasing to Buyer, or Seller or its Affiliates enforcing for the benefit (and at the expense) of Buyer any and all of its respective rights against any non-affiliated third party associated with the applicable Material Contract or Reinsurance Agreement, and paying or causing its Affiliates to pay, to Buyer when received all monies received by Seller or its Affiliates in connection with the applicable Material Contract or Reinsurance Agreement.

#### Section 7.04 Shared Contracts.

(a) Subject to the cost allocation provision set forth in Section 7.03(e)(i), from and after the date of this Agreement and through the second anniversary of the Closing Date, Seller shall, and shall cause its Affiliates to, use reasonable best efforts with Buyer's cooperation, to the extent reasonably requested by Buyer, to cause the counterparty to any Shared Contract to enter into a new agreement, on substantially the same terms and conditions as those set forth in the Shared Contract, with Buyer or the Company with respect to the matters addressed by such Shared Contract that are related to the Business; provided, that Seller shall not be required to compromise any right, asset or benefit or expend any amount or incur any Liabilities or provide any other consideration in connection therewith.

(b) Until such time as each Shared Contract identified in clause (a) is replicated, Seller shall, and shall cause each of its Affiliates to, use reasonable best efforts to cooperate with Buyer in any lawful and economically feasible arrangement to provide that the Company shall receive the benefits under any such Shared Contract allocated to the Company, including performance by Seller or an Affiliate of Seller as agent, provided that the Company shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent they would have been responsible therefor if such Shared Contract had been replicated.

Section 7.05 Intercompany Obligations. EXCEPT FOR (A) THE INTERCOMPANY OBLIGATIONS SET FORTH IN SCHEDULE 7.05 OR (B) INTERCOMPANY RECEIVABLES AND PAYABLES WITH RESPECT TO TAXES, WHICH SHALL BE GOVERNED BY ARTICLE X, SELLER SHALL, AND SHALL CAUSE ITS AFFILIATES TO, TAKE SUCH ACTION, INCLUDING MAKING SUCH PAYMENTS AS MAY BE NECESSARY, SO THAT, PRIOR TO OR CONCURRENTLY WITH THE CLOSING, THE COMPANY, ON THE ONE HAND, AND SELLER AND ITS AFFILIATES (OTHER THAN THE COMPANY), ON THE OTHER HAND, SHALL SETTLE, DISCHARGE, OFFSET, PAY OR REPAY IN FULL ALL INTERCOMPANY LOANS, NOTES, AND ADVANCES, REGARDLESS OF THEIR MATURITY, AND ALL INTERCOMPANY RECEIVABLES AND PAYABLES FOR THE AMOUNT DUE, INCLUDING ANY ACCRUED AND UNPAID INTEREST TO BUT EXCLUDING THE DATE OF PAYMENT, SUCH THAT ALL SUCH LIABILITIES BE CANCELED, TERMINATED AND EXTINGUISHED AND ALL OBLIGATIONS THEREUNDER SHALL BE DISCHARGED AND RELEASED.

Section 7.06 Intercompany Arrangements.

(a) Except as (i) otherwise contemplated by the Transaction Agreements, (ii) set forth in Schedule 7.06 or (iii) otherwise agreed by Seller and Buyer, Seller shall, and shall cause its Affiliates to, take such actions as may be necessary to remove the Company as a party or terminate prior to or concurrently with the Closing all Intercompany Agreements, after giving effect to Section 7.05.

(b) Except for any services provided pursuant to the Transition Services Agreement or any other Transaction Agreement, as of and following the Closing, Seller and its Affiliates shall have no further obligation to provide any ancillary or corporate shared services to the Company.

Section 7.07 Supplements to Seller Disclosure Schedule. FROM TIME TO TIME PRIOR TO THE CLOSING, BUT NOT LATER THAN TEN (10) BUSINESS DAYS PRIOR TO THE ANTICIPATED CLOSING DATE, SELLER SHALL BE PERMITTED TO SUPPLEMENT THE SECTIONS OF THE SELLER DISCLOSURE SCHEDULE THAT CORRESPOND TO THE REPRESENTATIONS AND WARRANTIES SET FORTH IN ARTICLE V, OTHER THAN SECTION 5.01, SECTION 5.02, SECTION 5.04, SECTION 5.11, SECTION 5.19(D)-(K), SECTION 5.23 AND SECTION 5.25, SOLELY TO REFLECT ANY EVENT, CHANGE OR CIRCUMSTANCE FIRST ARISING AFTER THE DATE HEREOF AND NOT RESULTING FROM OR CONSTITUTING A BREACH BY SELLER OF ITS COVENANTS AND AGREEMENTS HEREUNDER, AND EACH SUCH SUPPLEMENT SHALL BE DEEMED TO BE INCORPORATED INTO THE SELLER DISCLOSURE SCHEDULE FOR PURPOSES OF DETERMINING WHETHER THE APPLICABLE REPRESENTATION OR WARRANTY SET FORTH IN ARTICLE V IS TRUE AND CORRECT AS OF THE CLOSING DATE. IF ANY EVENT, CHANGE OR CIRCUMSTANCE REFLECTED IN SUCH SUPPLEMENT OR AMENDMENT, ABSENT THE DELIVERY BY SELLER OF SUCH SUPPLEMENT OR AMENDMENT, WOULD, INDIVIDUALLY OR IN THE AGGREGATE WITH ANY EVENT, CHANGE OR CIRCUMSTANCE REFLECTED IN ANY OTHER SUPPLEMENT DELIVERED

BY SELLER PURSUANT TO THIS SECTION 7.07, REASONABLY BE EXPECTED TO RESULT IN, IF OCCURRING OR CONTINUING AS OF THE CLOSING DATE, THE FAILURE OF A CONDITION SET FORTH IN SECTION 11.02(A) TO BE SATISFIED, THEN BUYER SHALL HAVE THE RIGHT TO TERMINATE THIS AGREEMENT UPON WRITTEN NOTICE TO SELLER DELIVERED NO LATER THAN TEN (10) BUSINESS DAYS FOLLOWING THE DELIVERY BY SELLER OF SUCH SUPPLEMENT OR AMENDMENT. FOR CLARITY, NO SUCH SUPPLEMENT TO THE SELLER DISCLOSURE SCHEDULE SHALL BE TAKEN INTO ACCOUNT IN DETERMINING WHETHER ANY REPRESENTATION OR WARRANTY MADE BY SELLER AS OF THE DATE HEREOF (OR ANY PRIOR DATE) WAS INACCURATE OR BREACHED, WHETHER FOR PURPOSES OF THE CONDITION SET FORTH IN SECTION 11.02(A), BUYER INDEMNIFIED PARTIES' RIGHTS TO INDEMNIFICATION PURSUANT TO SECTION 13.01, OR OTHERWISE.

Section 7.08 Release.

(a) Effective as of the Closing, Seller, for itself and on behalf of its Affiliates (other than the Company) and each of its and their successors and assigns (each, a "Seller Releasor"), hereby irrevocably, knowingly and voluntarily releases, discharges and forever waives and relinquishes all claims, demands, Liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions and causes of action of whatever kind or nature, whether known or unknown, which any Seller Releasor has, may have or might have or may assert now or in the future, against the Company and any of its respective successors and assigns (in each case in their capacity as such) (each, a "Company Releasee"), arising out of, based upon or resulting from any contract, transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed, was taken, permitted or begun prior to the Closing; provided, that nothing contained in this Section 7.08(a) shall release, discharge, waive, relinquish or otherwise affect the rights or obligations of any party to the extent arising under or recoverable pursuant to any Intercompany Agreement that survives the Closing pursuant to Section 7.06 or any of the Transaction Agreements. Seller shall, and shall cause each Seller Releasor to, refrain from, directly or indirectly, asserting any claim or demand or commencing, instituting or maintaining, or causing to be commenced, any legal or arbitral proceeding of any kind against any Company Releasee based upon any matter released pursuant to this Section 7.08(a). The execution of this Agreement shall not constitute an acknowledgment of, or an admission by, any Seller Releasor or Company Releasee of the existence of any such claims or of Liability for any matter or precedent upon which any Liability may be asserted.

(b) Effective as of the Closing, Seller hereby irrevocably and forever waives and releases any right to indemnification, contribution, reimbursement, set-off or other rights to recovery that Seller might otherwise have against the Company with respect to representations and warranties made and the covenants, obligations and agreements to be performed at or prior to the Closing, by the Company in the Transaction Agreements and the certificate delivered at the Closing pursuant to Section 11.01(a)(iv).

(c) Effective as of the Closing, Buyer, for itself and on behalf of the Company and each of its and their successors and assigns (each, a "Buyer Releasor"), hereby irrevocably,

knowingly and voluntarily releases, discharges and forever waives and relinquishes all claims, demands, Liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions and causes of action of whatever kind or nature, whether known or unknown, which the Company has, may have or might have or may assert now or in the future, against any of Seller, its Affiliates (other than the Company) and any of their respective successors and assigns (in each case in their capacity as such) (each, a “Seller Releasee”), arising out of, based upon or resulting from any contract, transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed, was taken, permitted or begun prior to the Closing; provided, that nothing contained in this Section 7.08(c) shall release, discharge, waive, relinquish or otherwise affect the rights or obligations of any Buyer Releasor to the extent such rights or obligations do not arise out of or relate to any claims, demands, Liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions or causes of action the Company may have had against the Seller Releasee prior to the Closing; provided, further, that nothing contained in this Section 7.08(c) shall release, discharge, waive, relinquish or otherwise affect the rights or obligations of any party (i) to the extent arising under or recoverable pursuant to any Intercompany Agreement that survives the Closing pursuant to Section 7.06 or any of the Transaction Agreements or (ii) in respect of any accrual therefor in the Financial Statements as of the Accounts Date or any subsequent date except to the extent actually paid to the Company. Buyer shall, and shall cause each Buyer Releasor to, refrain from, directly or indirectly, asserting any claim or demand or commencing, instituting or maintaining, or causing to be commenced, any legal or arbitral proceeding of any kind against any Seller Releasee based upon any matter released pursuant to this Section 7.08(c). The execution of this Agreement shall not constitute an acknowledgment of, or an admission by, any Buyer Releasor or Seller Releasee of the existence of any such claims or of Liability for any matter or precedent upon which any Liability may be asserted.

## **ARTICLE VIII ADDITIONAL AGREEMENTS**

Section 8.01 Access to Information. After the Closing, Buyer shall, and shall cause its Affiliates (including the Company) to, preserve, in accordance with and until such date as may be required by, Buyer’s, or its applicable Affiliates’ standard document retention policies (but for not less than six (6) years from the Closing Date or such later date as may be required by applicable Law), all pre-Closing Date records related to the Company possessed or controlled by such Person. During such period, upon any reasonable request from Seller or its Representatives, Buyer or any of its Affiliates holding such records shall (i) provide to Seller or its Representatives reasonable access to such records during normal business hours; provided, that such access shall not unreasonably interfere with the conduct of the business of Buyer or its Affiliates holding such records and (ii) permit Seller to make copies of such records, in each case subject to reasonable prior notice in writing and at Seller’s sole cost and expense. Nothing herein shall require Buyer or its Affiliates to disclose any information to Seller if such disclosure would, in the reasonable judgment of Buyer, jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine or contravene any applicable Law, Governmental Order or any fiduciary duty (it being understood that Buyer and its Affiliates shall cooperate in good faith in requesting waivers that would enable otherwise required disclosure to Seller or its Representatives to occur without so jeopardizing privilege or contravening such applicable Law, Governmental

Order or fiduciary duty or agreement) or (except as provided in Section 10.04) require Buyer or its Affiliates to disclose its Tax records (except for Tax records of, or with respect to, the Company) or any personnel or related records. Such records may be requested under this Section 8.01 for any reasonable purpose, including to the extent reasonably required in connection with accounting, litigation, financial reporting, federal securities disclosure, compliance with contractual obligations of Seller or its Affiliates or other similar purpose. Notwithstanding the foregoing, upon the expiration of such retention period, any and all such records may be destroyed by Buyer if Buyer sends to Seller written notice of its intent to destroy such records, specifying in reasonable detail the contents of the records to be destroyed; such records may then be destroyed after the sixtieth (60th) day following such notice unless Seller notifies Buyer that Seller desires to obtain possession of such records, in which event Buyer shall transfer the records to Seller and Seller shall pay all reasonable out-of-pocket expenses of Buyer in connection therewith.

#### Section 8.02 Books and Records.

(a) At the Closing, (i) all books and records of the Company and the Business shall be transferred to Buyer and (ii) Seller shall transfer, or cause to be transferred, to Buyer (or a Person designated by Buyer) in the manner (and in the case of physical books and records at the location(s)) reasonably requested by Buyer, all original corporate records of the Company relating to the legal existence, ownership and corporate governance of the Company and all Permits of the Company, in each case possessed or controlled by Seller or its Affiliates and that are not otherwise possessed or controlled by the Company. Prior to the Closing, Seller and Buyer shall cooperate in good faith to develop and implement a plan that will result in the delivery or transfer of all other books and records of the Company and the Business to Buyer or the Company at, or as soon as reasonably practicable following, the Closing. Subject to Section 8.03(b), except as otherwise required by applicable Law, Seller and its Affiliates shall have the right to retain copies of all books and records of the Company and their business relating to periods ending on or prior to the Closing Date.

(b) After the Closing, Seller shall, and shall cause its Affiliates to, preserve, in accordance with Seller's, or its applicable Affiliates', standard document retention policies and until such date as such books and records are transferred to Buyer or the Company, all pre-Closing Date books and records of the Company and the Business that have not been transferred to Buyer. During such period, upon any request from Buyer or its Representatives, Seller or any of its Affiliates holding such records shall (i) provide to Buyer or its Representatives reasonable access to such records during normal business hours; provided, that such access shall not unreasonably interfere with the conduct of the business of Seller or its Affiliates holding such records and (ii) permit Buyer to make copies of such records, in each case subject to prior notice in writing and at Buyer's sole cost and expense. Nothing herein shall require Seller or its Affiliates to disclose any information to Buyer if such disclosure would jeopardize any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine, obligation of confidentiality or non-disclosure, or contravene any applicable Law, Governmental Order or any fiduciary duty (it being understood that Seller and its Affiliates shall cooperate in good faith in requesting waivers that would enable otherwise required disclosure to Buyer or its Representatives to occur without so jeopardizing privilege or contravening such applicable Law, Governmental Order or fiduciary duty

or agreement) or (except as provided in Section 10.04) require Seller or its Affiliates to disclose its Tax records (except for Tax records of, or with respect to, the Company) or any personnel or related records. Notwithstanding the foregoing, if at any time Seller proposes to destroy any books and records retained by Seller or its Affiliates that are related to the Business, Seller shall send Buyer written notice of its intent to destroy such books and records, specifying in reasonable detail the contents of the books and records to be destroyed. Seller may destroy such books and records only after the sixtieth (60th) day following such notice unless Buyer notifies Seller that Buyer desires to obtain possession of such books and records, in which event Seller shall transfer the books and records to Buyer.

#### Section 8.03 Confidentiality.

(a) The terms of the confidentiality agreement, dated April 20, 2017 (the "Confidentiality Agreement"), between UFG and Kuvare Insurance Services LP are incorporated into this Agreement by reference and shall continue in full force and effect until the Closing, at which time the confidentiality obligations under the Confidentiality Agreement shall terminate; provided, that Seller's and its Affiliates' remedies with respect to breaches of such Confidentiality Agreement that occurred prior to the Closing shall survive the Closing. If for any reason the transactions contemplated by this Agreement are not consummated, the Confidentiality Agreement shall continue in full force and effect in accordance with its terms.

(b) From and after the Closing, Seller and its Affiliates shall, and shall cause their respective Representatives to, maintain in confidence any written, oral or other information relating to the Company obtained prior to the Closing Date or obtained from Buyer or its Affiliates pursuant to Section 8.01.

(c) From and after the Closing, Buyer and its Affiliates (including the Company) shall, and shall cause their respective Representatives to, maintain in confidence any written, oral or other information relating to or obtained from Seller or its Affiliates prior to the Closing Date, other than information to the extent relating to the Company or the Business.

(d) The requirements of Section 8.03(b) and Section 8.03(c) shall not apply to the extent that (i) any such information is or becomes generally available to the public other than (A) in the case of Buyer, as a result of disclosure by Seller, its Affiliates or any of its Representatives and (B) in the case of Seller, as a result of disclosure by Buyer, the Company (after the Closing Date) or any of their respective Affiliates or Representatives, (ii) any such information is required by applicable Law, Governmental Order or a Governmental Authority to be disclosed after prior notice has been given to the other party, (iii) any such information is reasonably necessary to be disclosed in connection with any Action or (iv) any such information was or becomes available to such party on a non-confidential basis and from a source (other than a party to this Agreement or any Affiliate or Representative of such party) that is not bound by a confidentiality agreement with respect to such information. Each of the parties hereto shall instruct its Affiliates and Representatives having access to such information of such confidentiality obligations.

#### Section 8.04 Insurance.

(a) Except as expressly provided in Section 8.04(b), effective at the time of the Closing, the Company shall cease to be insured by any insurance policies of Seller and its Affiliates (other than the Company).

(b) With respect to events or circumstances relating to the Company or the Business that occurred or existed prior to the Closing Date that are covered by occurrence-based third-party liability insurance policies and any workers' compensation insurance policies that apply to the locations at which the businesses of the Company operate, the Company may make claims under such policies and programs; provided, that by making any such claims, Buyer agrees to reimburse Seller for any increased costs incurred by Seller or its Affiliates as a result of such claims, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are reasonably determined in accordance with those policies and programs generally applicable from time to time to Seller and its Affiliates; provided, further, that the Company shall not be permitted to make any such claims if, and to the extent that, such claims are covered by insurance policies sponsored by Buyer or any of its Affiliates (including, after the Closing, the Company). As of the second (2<sup>nd</sup>) anniversary of the Closing Date, (i) the Company shall no longer have access to such occurrence-based third-party liability insurance policies of Seller and its Affiliates and (ii) Buyer shall release Seller and its Affiliates from, any obligation to make such occurrence-based third-party liability insurance policies available to the Company for claims, known or unknown, resulting from occurrences prior to the Closing Date (except to the extent of any such claims made prior to such second (2<sup>nd</sup>) anniversary of the Closing Date). Any proceeds received by Seller or any of its Affiliates after the Closing for third-party claims under occurrence-based third-party liability insurance policies or workers' compensation insurance policies with respect to Losses occurring prior to the Accounts Date in respect of the Company shall be for the benefit of Buyer unless such proceeds relate to expenditures that have been made prior to the Effective Time or any business interruption prior to the Accounts Date.

#### Section 8.05 Trade Names and Trademarks

(a) Other than as contemplated in the Transaction Agreements, Buyer is not purchasing, acquiring or otherwise obtaining any right, title or interest in or to any Intellectual Property owned by Seller or its Affiliates (other than the Company), including the name "United Fire Group," "UFG," the interlocking U logo or any Trademark or Internet domain name related thereto or employing the words "United Fire Group," "UFG," the interlocking U logo or any variation of the foregoing or any confusingly similar Trademark or Internet domain name, (including in any and all goodwill, registrations and applications relating thereto) (collectively, the "Seller Names and Marks"), and, except as otherwise expressly provided in any Transaction Agreement, neither Buyer nor any of its Affiliates (including, after the Closing, the Company) shall have any rights in the Seller Names and Marks and neither Buyer nor any of its Affiliates (including, after the Closing, the Company) shall contest the ownership or validity of any rights of Seller or any of its Affiliates in or to the Seller Names and Marks. Buyer hereby consents to Seller causing the Company to transfer all rights, title and interests in and to the Seller Names and Marks to Seller or any of its Affiliates prior to the Closing, and such transfer(s) shall not constitute a breach of any term or condition of this Agreement.



(b) Except as otherwise provided in any Transaction Agreement, or in connection with historical, tax, employment or similar references to the Business, or for purposes of prospectus, capital raising or other financing transactions and similar disclosures as are necessary and appropriate to describe the historical relations of the Company and Seller and its Affiliates or as otherwise required by Law, following the Closing Date, Buyer and its Affiliates (including the Company) shall cease and discontinue all uses of the Seller Names and Marks, either alone or in combination with other words and all Trademarks or Internet domain names confusingly similar to any of the foregoing or embodying any of the foregoing alone or in combination with other words. The rights of the Company to the Seller Names and Marks pursuant to the terms of any existing trademark agreements shall terminate on the Closing Date.

(c) Buyer shall use commercially reasonable efforts to ensure that other users of the Seller Names and Marks operating under the authority and control of the Company, whose rights terminate upon the Closing pursuant to this Section 8.05, shall cease use of the Seller Names and Marks, except as expressly authorized thereafter by Seller. After the Closing Date, Buyer and its Affiliates (including the Company) shall not expressly, or by implication, do business as or represent themselves as Seller or an Affiliate of Seller.

(d) In the event Buyer or any Affiliate of Buyer (including the Company after the Closing) materially violates any of its obligations under this Section 8.05, Seller and its Affiliates may proceed against Buyer or its Affiliates in law or in equity for such damages or other relief as a court may deem appropriate. A material violation of this Section 8.05 may cause Seller and its Affiliates irreparable harm, which may not be adequately compensated for by money damages. In the event of any actual material violation of this Section 8.05, Seller and any of its Affiliates shall be entitled, in addition to other remedies that they may have, to seek a temporary restraining order and to seek preliminary and final injunctive relief against Buyer or such Affiliate of Buyer to prevent any violations of this Section 8.05 without the necessity of posting a bond.

(e) From the Closing until the tenth (10<sup>th</sup>) anniversary of Closing, Seller shall not, directly or indirectly, use or do Competing Business, or allow any Affiliate to use or do Competing Business, or assist any Person in using or doing Competing Business, under the name and mark "United Life" (or any other name or mark confusingly similar to such name and mark when used in connection with a Competing Business).

Section 8.06 Transaction Agreements. SUBJECT TO SECTION 7.03, THE PARTIES HAVE AGREED TO THE FORM OF TRANSACTION AGREEMENTS ATTACHED AS EXHIBITS A, B, C AND D AND SHALL, AT OR PRIOR TO THE CLOSING, EXECUTE AND DELIVER, OR CAUSE TO BE EXECUTED AND DELIVERED, EACH SUCH AGREEMENT, WITH ANY SUCH CHANGES AS MAY BE REQUIRED BY ANY GOVERNMENTAL AUTHORITY TO OBTAIN ANY GOVERNMENTAL APPROVAL THAT MAY BE OR BECOME NECESSARY FOR THE EXECUTION AND DELIVERY OF, AND THE PERFORMANCE BY THE APPLICABLE PARTIES OF THEIR RESPECTIVE OBLIGATIONS PURSUANT TO, AND CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY, THE TRANSACTION AGREEMENTS. NOTWITHSTANDING THE FOREGOING, SUBJECT TO THE LAST SENTENCE OF SECTION 7.03(B), THE PARTIES SHALL NOT BE REQUIRED

TO ACCEPT ANY SUCH CHANGES REQUIRED BY ANY GOVERNMENTAL AUTHORITY TO THE EXTENT SUCH CHANGE WOULD RESULT IN A BURDENSOME CONDITION.

Section 8.07 Non-Solicitation.

(a) For a period of twenty-four (24) months from the Closing Date, Seller shall not, and shall cause its Affiliates not to, without the prior written consent of Buyer, directly or indirectly, solicit for employment, employ, engage in an independent contractor relationship or otherwise hire any Business Employee who is not an Excluded Employee; provided, that Seller and its Affiliates may solicit, employ, engage in an independent contractor relationship or otherwise hire any such Person who was terminated or otherwise discharged by the Company at least three (3) months prior to the first such solicitation for employment; provided, further, that nothing in this Section 8.07(a) shall prohibit Seller or any of its Affiliates from employing or hiring any Person who contacts Seller or any of its Affiliates on his or her own initiative without direct solicitation or as a result of a general solicitation to the public or general advertising not specifically targeted at Business Employees.

(b) For a period of twenty-four (24) months from the Closing Date, Buyer shall not, and shall cause its Affiliates (including the Company) not to, without the prior written consent of Seller, directly or indirectly, solicit for employment, employ, engage in an independent contractor relationship or otherwise hire any individual who provides transition services pursuant to the Transition Services Agreement and as a result becomes known to Buyer; provided, that Buyer and its Affiliates may solicit, employ, engage in an independent contractor relationship or otherwise hire any such individual who was terminated or otherwise discharged by Seller or any of its Affiliates after the first of (i) such individual having ceased to provide transition services pursuant to the Transition Services Agreement and (ii) at least three (3) months having passed prior to the first such solicitation or employment; provided, further, that nothing in this Section 8.07(b) shall prohibit Buyer or any of its Affiliates from employing or hiring any Person who contacts Buyer or any of its Affiliates on his or her own initiative without direct solicitation or as a result of a general solicitation to the public or general advertising not specifically targeted at such individuals.

Section 8.08 Non-Competition.

(a) For purposes of this Agreement, "Competing Business" shall mean the business of issuing, underwriting, selling, marketing and administering (i) income and deferred annuity contracts, (ii) individual life insurance policies and (iii) disability insurance contracts, in each case, that would compete with the Company.

(b) Except as contemplated by the Transaction Agreements, from the Closing until the twenty-four (24)-month anniversary of the Closing Date, Seller shall not, and shall not permit any of its Affiliates (each, a "Restricted Person") to, engage, as a principal or jointly with others, in the Competing Business in the United States. Seller shall not have any obligation under this Section 8.08 with respect to any Restricted Person from and after such time as such Restricted Person ceases to be an Affiliate of Seller. A "Restricted Person" shall not include any Person that purchases or receives assets, operations or a business from Seller or any of its Affiliates, if such Person is not an Affiliate of Seller after such transaction is consummated.

(c) Notwithstanding anything to the contrary set forth in Section 8.08(b), and without implication that the following activities otherwise would be subject to the provisions of this Section 8.08, nothing in this Agreement shall preclude, prohibit or restrict Seller from engaging, or require Seller to cause any Restricted Person not to engage, in any manner in any of the following:

(i) making investments in the ordinary course of business consistent with past practices, including in a general or separate account of an insurance company, in Persons engaging in a Competing Business, provided that each such investment is a passive investment where Seller or such Restricted Person: (A) does not have the right to designate a majority of the members of the board of directors or other governing body of such entity or to otherwise influence or direct the operation or management of any such entity, (B) is not a participant with any other Person in any group (as such term is used in Regulation 13D of the Exchange Act) with such intention or right, and (C) owns less than fifteen percent (15%) of the outstanding voting securities (including convertible securities) of such entity;

(ii) making investments in Buyer or its Affiliates;

(iii) selling any of its assets or businesses to a Person engaged in lines of business that compete with the Business as conducted as of the date of this Agreement;

(iv) managing or controlling investment funds that make investments in Persons engaging in a Competing Business, so long as such investments are in the ordinary course of business consistent with past practices;

(v) providing investment management and similar services to any Person;

(vi) providing reinsurance to any Person engaging in a Competing Business, so long as Seller and the Restricted Persons are not engaged in the marketing, production or administration of such reinsured business;

(vii) engaging in any activity that does not constitute the business of life insurance in the applicable jurisdiction;

(viii) acquiring (and thereafter, owning and operating) any Person or business that derived less than twenty-five percent (25%) of its net operating revenue on a consolidated basis for its most recent fiscal year from a Competing Business; or

(ix) acquiring (whether by way of merger or stock or asset acquisition or otherwise), directly or indirectly, any Person or business (an "Acquired Business") where such Acquired Business derived twenty-five percent (25%) or more of its net operating revenue on a consolidated basis for its most recent fiscal year from a Competing Business; provided, that Seller shall either (A) cause the relevant Restricted Person to sell, spin off or otherwise divest itself (or enter into an agreement to sell, spin off or otherwise divest itself) of the portion of the division, unit or Person related to such Acquired Business that engages in the Competing Business within twelve (12) months of the closing of the acquisition of

such Acquired Business; or (B) modify, or cause the relevant Restricted Person to modify, such Acquired Business such that such Acquired Business derives less than twenty-five percent (25%) of its net operating revenue on a consolidated basis from a Competing Business.

Section 8.09 IT Systems Separation. AS SOON AS PRACTICABLE AFTER THE DATE HEREOF, BUT NO LATER THAN THE CLOSING DATE, SELLER AND BUYER SHALL DEVELOP A WRITTEN PLAN WHEREBY SELLER RETAINS ALL HARDWARE AND INFRASTRUCTURE FOR ITS IT SYSTEMS AND WHICH SETS FORTH STEPS REASONABLY REQUIRED TO MAKE AN ORDERLY, LOGICAL AND PHYSICAL SEPARATION OF SELLER'S IT SYSTEMS FROM THE COMPANY'S IT SYSTEMS (THE "IT SYSTEM SEPARATION PLAN"). FOR CLARITY, THE IT SYSTEMS SEPARATION PLAN SHALL SEPARATE THE COMPANY'S IT SYSTEMS FROM SELLER'S IT SYSTEMS, IN SUCH A MANNER THAT THE COMPANY'S IT SYSTEMS ARE NOT ACCESSIBLE TO SELLER AND ITS AFFILIATES (OTHER THAN THE COMPANY) AND THE SELLER'S IT SYSTEMS ARE NOT ACCESSIBLE TO THE COMPANY, EXCEPT AS AND TO THE EXTENT SUCH ACCESS IS NECESSARY FOR THE PROVISION OR RECEIPT OF SERVICES TO THE TRANSACTION AGREEMENTS OR AS OTHERWISE SET FORTH THEREIN. UNLESS OTHERWISE AGREED BY THE PARTIES, THE IT SYSTEMS SEPARATION PLAN SHALL BE CARRIED OUT AND AGREED UPON BY THE PARTIES, AT SELLER'S REASONABLE EXPENSE WITH RESPECT TO THE SEPARATION OF THE SYSTEMS AND AT BUYER'S REASONABLE EXPENSE WITH RESPECT TO THE IT SYSTEM INFRASTRUCTURE AND HARDWARE FOR COMPANY'S IT SYSTEM. THE MIGRATION OF IT SYSTEMS RELATED TO THE BUSINESS SHALL BE IN ACCORDANCE WITH THE MIGRATION PLAN AS SET FORTH IN THE TRANSITION SERVICES AGREEMENT, AND UNLESS OTHERWISE SET FORTH THEREIN, SUCH MIGRATION SERVICES SHALL BE AT SELLER'S COST FOR ANY TRIVIAL TIME OR EXPENSE RELATED THERETO.

Section 8.10 D&O Liabilities. FROM AND AFTER THE CLOSING DATE UNTIL THE SIXTH (6TH) ANNIVERSARY OF THE CLOSING DATE, BUYER SHALL, AND SHALL CAUSE ITS AFFILIATES TO, MAINTAIN IN FULL THE INDEMNIFICATION OBLIGATIONS SET FORTH IN THE ORGANIZATIONAL DOCUMENTS OF THE COMPANY, AS IN EFFECT IMMEDIATELY PRIOR TO THE CLOSING, WITH RESPECT TO ALL PAST DIRECTORS, OFFICERS AND MANAGERS OF THE COMPANY AS WELL AS ALL DIRECTORS, OFFICERS AND MANAGERS OF THE COMPANY AS OF THE CLOSING DATE, IN EACH CASE, FOR ACTS OR OMISSIONS OCCURRING ON OR PRIOR TO THE CLOSING DATE IN THEIR CAPACITIES AS SUCH, AND TO INDEMNIFY AND HOLD HARMLESS SUCH PERSONS IN ACCORDANCE THEREWITH. BUYER, SELLER AND ANY PERSON ENTITLED TO INDEMNIFICATION UNDER THIS SECTION 8.10 SHALL COOPERATE IN THE DEFENSE OF ANY LITIGATION UNDER THIS SECTION 8.10 AND SHALL PROVIDE ACCESS TO PROPERTIES AND INDIVIDUALS AS REASONABLY REQUESTED AND FURNISH OR CAUSE TO BE FURNISHED RECORDS, INFORMATION AND TESTIMONY, AND ATTEND SUCH CONFERENCES, DISCOVERY PROCEEDINGS, HEARINGS, TRIALS OR APPEALS, AS MAY BE REASONABLY REQUESTED IN CONNECTION THEREWITH.

Section 8.11 Transition Plan. PROMPTLY AFTER THE DATE HEREOF, AND IN ANY EVENT WITHIN THIRTY (30) DAYS HEREAFTER, SELLER AND BUYER SHALL EACH APPOINT A TRANSITION TEAM TO:

(a) cooperate in good faith to develop, as promptly as practicable, a separation plan for separating the Business from the retained businesses of Seller and Seller's Affiliates (other than the Company) so as to minimize the adverse impact of such separation on each party's businesses;

(b) identify the costs relating to separation and transition (including Third-Party Consents to provide services under the Transaction Agreements); and

(c) review, revise and update, where appropriate, the schedules to the Transition Services Agreement between the date hereof and Closing and any such mutually agreed upon revised and updated schedules will replace the corresponding schedules attached to the form of Transition Services Agreement.

Section 8.12 Deletion of Software. IN THE EVENT THAT AFTER THE CLOSING EITHER BUYER OR SELLER BECOMES AWARE OF ANY INSTANCE OF ANY SOFTWARE IN ITS RESPECTIVE POSSESSION THAT (A) IN THE CASE OF BUYER IS OWNED AFTER THE CLOSING BY SELLER OR ANY OF SELLER'S AFFILIATES THAT IS NOT LICENSED OR OTHERWISE MADE AVAILABLE TO BUYER OR THE COMPANY UNDER A TRANSACTION AGREEMENT (INCLUDING ON A PASS-THROUGH BASIS PENDING RECEIPT OF A THIRD-PARTY CONSENT OR UNDER A SHARED CONTRACT PENDING REPLICATION) OR (B) IN THE CASE OF SELLER IS OTHERWISE OWNED BY THE COMPANY, IN EACH CASE, THAT IS NOT LICENSED TO SELLER OR ANY OF SELLER'S AFFILIATES, BUYER, IN THE CASE OF CLAUSE (A) AND SELLER, IN THE CASE OF CLAUSE (B), SHALL USE THEIR RESPECTIVE REASONABLE BEST EFFORTS TO DELETE SUCH INSTANCES OF SUCH SOFTWARE AS SOON AS PRACTICABLE.

Section 8.13 Further Action.

(a) Seller and Buyer (i) shall execute and deliver, or shall cause to be executed and delivered, such documents and other papers and shall use their respective reasonable best efforts (subject to Section 7.03(d)) to take, or cause to be taken, such further actions as may be reasonably required to carry out the provisions of the Transaction Agreements and give effect to the transactions contemplated by the Transaction Agreements, (ii) shall refrain from taking any actions that could reasonably be expected to materially impair, delay or impede the Closing, (iii) without limiting the foregoing, but subject to Section 7.03(d), shall use their respective reasonable best efforts to cause all the conditions to the obligations of the other party to consummate the transactions contemplated by this Agreement to be met as soon as reasonably practicable and (iv) shall cooperate in good faith to facilitate an orderly Closing and transition.

(b) Each of Seller and Buyer shall keep each other reasonably apprised of the status of the matters relating to the completion of the transactions contemplated hereby, including with respect to the satisfaction of the conditions set forth in Article XI. From time to time following

the Closing, Seller and Buyer shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all reasonable further conveyances, notices, assumptions, releases and acquittances and such instruments, and shall take such reasonable actions as may be necessary or appropriate to make effective the transactions contemplated hereby as may be reasonably requested by the other party.

Section 8.14 Equity Financing.

(a) Buyer acknowledges that it shall be fully responsible for obtaining the Equity Financing and shall take (or cause to be taken) all actions, and do (or cause to be done) all things, necessary, proper or advisable to obtain the Equity Financing, including (i) maintaining in effect the Equity Commitment Letter, (ii) using reasonable best efforts to ensure the accuracy of all representations and warranties of Buyer, if any, set forth in the Equity Commitment Letter, (iii) complying with all covenants and agreements of Buyer set forth in the Equity Commitment Letter, (iv) satisfying on a timely basis all conditions applicable to Buyer set forth in the Equity Commitment Letter, and (v) consummating the Equity Financing contemplated by the Equity Commitment Letter (subject to the conditions set forth therein) at or prior to the Closing.

(b) Buyer shall not amend, alter, or waive, or agree to amend, alter or waive (in any case whether by action or inaction), any term of the Equity Commitment Letter without the prior written consent of Seller. Buyer agrees to notify Seller promptly, and in any event within one Business Day, if at any time prior to the Closing Date (i) the Equity Commitment Letter expires or is terminated for any reason (or if any Person attempts or purports to terminate the Equity Commitment Letter, whether or not such attempted or purported termination is valid) or (ii) Sponsor refuses to provide the full Equity Financing on the terms set forth in the Equity Commitment Letter.

(c) Buyer acknowledges and agrees that neither the obtaining of the Equity Financing nor any alternative financing is a condition to the Closing, and reaffirms its obligation to consummate the transactions contemplated hereby irrespective and independently of the availability of the Equity Financing or any alternative financing.

(d) For the avoidance of doubt, the obligations contained in this Section 8.14 shall terminate upon the occurrence of the Closing.

Section 8.15 Seller Cooperation. PRIOR TO THE CLOSING, IF REQUESTED BY BUYER UPON REASONABLE ADVANCE NOTICE, SELLER SHALL USE REASONABLE BEST EFFORTS AND SHALL USE ITS COMMERCIALY REASONABLE EFFORTS TO CAUSE ITS AFFILIATES TO USE REASONABLE BEST EFFORTS TO: (A) PROVIDE SUCH REASONABLE AND READILY AVAILABLE INFORMATION (FINANCIAL OR OTHERWISE) RELATING TO THE COMPANY AND ITS BUSINESS TO, AND COOPERATE WITH DUE DILIGENCE INVESTIGATION BY, POTENTIAL LENDERS PROPOSING TO EXTEND A LOAN TO BUYER OR ITS AFFILIATES (TO THE EXTENT REASONABLE AND CUSTOMARY AND NOT UNREASONABLY INTERFERING WITH THE BUSINESS OR OPERATIONS OF THE COMPANY, SELLER OR ANY OF ITS AFFILIATES AND IN NO EVENT SHALL SELLER OR THE COMPANY BE REQUIRED TO PROVIDE ANY INFORMATION THAT WAS NOT OF THE TYPE ALREADY PROVIDED TO

BUYER) AND (B) PROVIDE REASONABLE AND CUSTOMARY COOPERATION WITH THE MARKETING EFFORTS FOR ANY PART OF SUCH LOAN, IN EACH CASE, AT BUYER'S SOLE COST AND EXPENSE; PROVIDED, HOWEVER, THAT NEITHER SELLER NOR ANY OF ITS SUBSIDIARIES OR AFFILIATES (INCLUDING, UNTIL THE CLOSING, THE COMPANY) SHALL (A) HAVE ANY LIABILITY OR ANY OBLIGATION UNDER ANY AGREEMENT OR DOCUMENT RELATED TO SUCH LOAN, (B) BE REQUIRED TO INCUR ANY LIABILITY OR OUT-OF-POCKET COSTS UNLESS THEY ARE REIMBURSED OR REASONABLY SATISFACTORILY INDEMNIFIED BY BUYER, (C) BE REQUIRED TO APPROVE OR ADOPT ANY LOAN OR AGREEMENTS RELATED THERETO, (D) BE REQUIRED TO EXECUTE ANY AGREEMENTS OR CERTIFICATES IN CONNECTION WITH ANY LOAN AND (E) BE RESPONSIBLE FOR ANY PRO FORMA FINANCIAL INFORMATION REQUIRED TO BE PROVIDED IN ACCORDANCE WITH ANY LOAN OR OTHERWISE.

BUYER AND ITS AFFILIATES SHALL HOLD HARMLESS SELLER, THE COMPANY AND EACH OF THEIR RESPECTIVE AFFILIATES AND EACH OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND REPRESENTATIVES FROM AND AGAINST ANY AND ALL LIABILITIES, LOSSES, DAMAGES, CLAIMS, COSTS, EXPENSES, INTEREST, AWARDS, JUDGMENTS AND PENALTIES SUFFERED OR INCURRED BY THEM IN CONNECTION WITH ANY LOAN CONTEMPLATED BY THIS SECTION 8.15 (INCLUDING ANY ACTION TAKEN IN ACCORDANCE WITH THIS SECTION 8.15) AND ANY INFORMATION UTILIZED IN CONNECTION THEREWITH.

BUYER EXPRESSLY ACKNOWLEDGES AND AGREES THAT NEITHER THE OBTAINING OF ANY LOAN NOR SELLER'S ACTIONS OR COOPERATION RELATING THERETO, INCLUDING ITS COMPLIANCE WITH THIS SECTION 8.15, IS A CONDITION TO THE CLOSING, AND REAFFIRMS ITS OBLIGATION TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED HEREBY IRRESPECTIVE AND INDEPENDENTLY OF THE AVAILABILITY OF ANY LOAN.

## **ARTICLE IX EMPLOYEE MATTERS**

### Section 9.01 Employee Matters.

(a) Comparable Position. Not less than five (5) Business Days prior to the Closing, Seller shall (i) update Schedule 1.01(a) to add any individuals who become Business Employees after the date hereof and remove any individuals who have ceased to be Business Employees after the date hereof and (ii) deliver such updated list of Business Employees to Buyer. On or prior to the Employment Offer Date, or, if later, within thirty (30) days after the date Seller provides notice to Buyer that an individual has become a Business Employee (but not later than five (5) days prior to the Closing Date), Buyer shall extend or shall cause one of its Affiliates to extend to each Business Employee a written offer of employment, effective as of the Closing Date (or such later date as is set forth below with respect to those Business Employees employed by Seller or any of its Affiliates who are Inactive Business Employees), that constitutes a Comparable Position with Buyer or its Affiliates (an "Offer of Employment"). The form of Offer of Employment

shall be provided to Seller within a reasonable period prior to being made to the applicable Business Employee in order to provide Seller with a reasonable opportunity to review and comment, and shall set forth the position, duties, responsibilities, compensation and principal place of employment each such Business Employee will have with Buyer or its Affiliates following the Business Employee's Effective Hire Date. Except as set forth below with respect to Inactive Business Employees, the employment relationship of each Business Employee who is not an Excluded Employee with Seller or its applicable Affiliate shall terminate effective as of 11:59 p.m., Central time, on the Closing Date. Each Business Employee employed by Buyer or one of its Affiliates (including the Company) following the Closing Date shall be referred to herein as a "Transferred Employee." A Business Employee who performs work at his or her then applicable place of employment on the first (1<sup>st</sup>) Business Day following the Closing Date on which such Business Employee is scheduled, expected or permitted to work (as applicable) shall be deemed to have accepted Buyer's Offer of Employment and shall be considered a Transferred Employee as of the Effective Hire Date for all purposes of this Agreement. Inactive Business Employees shall remain employed by Seller or Seller's Affiliate, as the case may be, until the earlier of the date the Inactive Business Employee returns to active employment, or the expiration of the Inactive Business Employee's leave under Seller's or such applicable Affiliate's policies, so long as such return to work occurs within six (6) months following the Closing Date; such Inactive Business Employee shall become a Transferred Employee on the first (1<sup>st</sup>) Business Day following the Inactive Business Employee's return to work from the leave. The date on which a Business Employee commences employment with Buyer or its Affiliates shall be referred to as the "Effective Hire Date," which means (A) 12:00:01 a.m., Central time, on the first (1<sup>st</sup>) day immediately following the Closing Date for all Business Employees other than Inactive Business Employees and (B) for any Inactive Business Employees, the first (1<sup>st</sup>) Business Day following an Inactive Business Employee's return to work from the leave.

(b) Employee Communications. During the period from the date hereof through the Closing Date, Buyer and Seller shall reasonably cooperate to communicate to the Business Employees the details of the proposed terms and conditions of their employment with Buyer or its Affiliates. All communications between Buyer or its Affiliates and the Business Employees shall be subject to the reasonable prior approval of each of Buyer and Seller.

(c) Maintenance of Terms; WARN Act. From a Transferred Employee's Effective Hire Date through the first (1<sup>st</sup>) anniversary of the Closing Date or such earlier date on which such Transferred Employee's employment with Buyer and its Affiliates terminates, Buyer shall, or shall cause its Affiliates to, provide such Transferred Employee with terms and conditions of employment that constitute a Comparable Position. On and during the ninety (90) days following the Closing Date, Buyer shall not, and shall ensure that its Affiliates do not, take, cause or permit any act or omission that would or reasonably could constitute a "plant closing," "mass layoff" or similar event under the WARN Act with respect to any Transferred Employees. Thereafter, Buyer shall, and shall cause its applicable Affiliates to, comply with the WARN Act so as to avoid any liability thereunder for Seller or its Affiliates with respect to any Transferred Employee.

(d) Work Permits. Buyer and Seller shall reasonably cooperate with respect to the transfer or sponsorship of work permits for all Transferred Employees who are foreign nationals.



(e) Employee Benefits. Buyer and its Affiliates shall waive, or shall cause to be waived, any waiting period, probationary period, pre-existing condition exclusion, evidence of insurability requirement, or similar condition with respect to initial participation under any plan, program, or arrangement established, maintained, or contributed to by Buyer or any of its Affiliates to provide health insurance, life insurance, or disability benefits with respect to each Transferred Employee who has, prior to the Effective Hire Date, satisfied, under Seller's or its Affiliates' comparable plans, the comparable eligibility, insurability or other requirements referred to in this sentence. Buyer and its Affiliates shall recognize, or cause to be recognized, the dollar amount of all co-insurance, deductibles and similar expenses incurred by each Transferred Employee (and his or her eligible dependents) during the calendar year in which the Effective Hire Date occurs (or, if later, the year in which the Transferred Employee commences participation in a plan maintained by Buyer or its Affiliates) for purposes of satisfying such year's deductible and co-payment limitations under the relevant welfare benefit plans in which each Transferred Employee will be eligible to participate from and after the Effective Hire Date, subject to such Transferred Employee's provision of relevant information or documentation confirming the amount of such co-insurance, deductibles and similar expenses. Each Transferred Employee shall, for purposes of determining such Transferred Employee's eligibility to participate in and vesting under all employee benefit plans, programs and arrangements of Buyer and its Affiliates in which they can become eligible to participate in following the Closing Date, be credited with the service of such Transferred Employee credited by Seller or its Affiliates or entities that become Seller's Affiliates up to the Effective Hire Date, to the same extent as if such service had been performed for Buyer or any of its Affiliates; provided, that such service shall also be credited for purposes of calculating the benefit accrual for paid time off and severance pay. In addition to the foregoing, Buyer shall, or shall cause one or more of its Affiliates to:

(i) from the Closing Date to the first (1<sup>st</sup>) anniversary of the Closing Date, provide Transferred Employees with the greater of (A) the severance payments and benefits to which the Transferred Employee would be entitled under the Seller Severance Plan and (B) the severance payments and benefits provided by Buyer or its Affiliates to its similarly-situated employees at such time, taking into account the Transferred Employee's length of service with Seller and its Affiliates as provided in this Section 9.01(e) in addition to service with Buyer and its Affiliates;

(ii) cause the defined contribution plan(s) maintained by Buyer or its Affiliates to accept a direct rollover of the account (including earnings thereon through the date of transfer and any promissory note evidencing an outstanding loan) of any Transferred Employee in the investment and savings plan of Seller or Seller's Affiliate or any other Tax-qualified retirement plan of Seller or Seller's Affiliate, that a Transferred Employee elects to make as a direct rollover, and, to the extent necessary, amend such defined contribution plan(s) prior to the Closing in order to carry out the intent of this Section 9.01(e)(ii);

(iii) cause the flexible spending account(s) maintained by Buyer or Buyer's Affiliates to accept a transfer of the account(s) of any Transferred Employee under a health or dependent care flexible spending account maintained by Seller or Seller's Affiliate (each, a "Seller FSA") and in doing so (A) effectuate the election of any such Transferred

Employee as in effect under the applicable Seller FSA immediately prior to the Closing and (B) assume responsibility for administering and paying under the applicable plans of Buyer or Buyer's Affiliate all eligible reimbursement claims of the Transferred Employees incurred in the calendar year in which the Closing Date occurs and submitted for payment on or after the Closing Date, whether such claims arose before, on or after the Closing Date. As soon as practicable following the Closing Date, Seller or Seller's Affiliate shall cause to be transferred to Buyer, if applicable, an amount in cash equal to (I) the sum of all contributions to any Seller FSA made with respect to the calendar year in which the Closing occurs prior to the Closing Date by or on behalf of the Transferred Employees, reduced by (II) the sum of all claims incurred by the Transferred Employees during the calendar year in which the Closing Date occurs and submitted for payment prior to the Closing Date under any Seller FSA (or if the amount in clause (II) exceeds the amount in clause (I), Buyer shall transfer such amount to Seller);

(iv) provide each Transferred Employee with unpaid time off in an amount equal to the unused paid time off accrued by such Transferred Employee as of such Transferred Employee's Effective Hire Date;

(v) from the Closing Date through the first (1<sup>st</sup>) anniversary of the Closing Date, provide Transferred Employees with the greater of (A) the vacation and paid time off accrual rate and maximum accrual the Transferred Employee would have been eligible to receive under the applicable plan, policy or agreement of Seller or its Affiliates covering the Transferred Employee immediately prior to the Effective Hire Date and (B) the vacation and paid time off accrual rate and maximum accrual provided by Buyer or its Affiliates to its similarly-situated employees; provided, that such vacation and paid time off accrual rate and maximum accrual shall not be decreased as a result of the obligation set forth in Section 9.01(e)(iv); and

(vi) reimburse Transferred Employees for education courses for which such Transferred Employees registered prior to the Effective Hire Date; provided, that Transferred Employees have not already been reimbursed therefor, to the extent that Seller's or its Affiliates' policies would provide for such reimbursement if such Transferred Employees had continued to be employed by Seller or its Affiliate.

(f) Annual Incentive Bonus. Seller shall, or shall cause one or more of its Affiliates to, pay the bonuses for the 2017 year under the Seller Annual Incentive Plan to Transferred Employees who were covered under that plan immediately prior to the Closing and who (i) continue to be employed by Buyer or its Affiliates as of the applicable payment date (determined in accordance with Seller's historical practices and the Seller Annual Incentive Plan), or (ii) whose employment with Buyer or its Affiliates is involuntarily terminated (other than for cause) by Buyer or such Affiliate prior to such payment date. The amount of each Transferred Employee's bonus shall be determined by application of the nondiscretionary, formulaic provisions of the Seller Annual Incentive Bonus Plan applicable to such Transferred Employee (each such bonus, an "Individual Bonus"). The aggregate amount to be so paid by Seller or its Affiliates to all such Transferred Employees (the "2017 Bonus Pool") shall be an amount equal to the sum of all the Individual

Bonuses. In the event that the Closing Date occurs prior to January 1, 2018 and the payment of individual bonuses by Seller and its Affiliates, Buyer or its Affiliates shall reimburse Seller in an amount equal to the 2017 Bonus Pool multiplied by a fraction, the numerator of which is the number of days from the Closing Date through December 31, 2017 and the denominator of which is 365. Individual Bonuses shall be distributed by Seller or its Affiliates among such Transferred Employees. Buyer or its Affiliates shall implement an incentive bonus plan for the 2018 year that is substantially comparable to the Seller Annual Incentive Plan and shall bear all cost and Liabilities thereunder.

(g) Long-Term Incentive Compensation. To the extent that any Transferred Employee was granted equity incentives under the Seller Long-Term Incentive Plan in the grant cycle ending immediately prior to the date hereof (a “Transferred Employee Equity Recipient”), then, for the long-term incentive grant cycle of Buyer for similarly situated employees occurring during the period ending on the first (1st) anniversary of the Closing, Buyer shall, or shall cause one or more of its Affiliates to, grant to each Transferred Employee Equity Recipient a long-term incentive award having a value (as reasonably determined in good faith by Buyer) equal to or greater than the value to such Transferred Employee Equity Recipient of the most recent grant under the Seller Long-Term Incentive Plan prior to the date hereof.

(h) Buyer and Seller shall cooperate, and cause their respective Affiliates to cooperate, as appropriate to carry out the provisions of this Section 9.01.

(i) No Amendment of Plans; No Other Non-Party Rights. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement is intended to, or does, constitute the establishment or adoption of, or amendment to, any employee benefit plan, and no Person participating in any such employee benefit plan maintained by either Seller or its Affiliates or Buyer or its Affiliates, shall have any claim or cause of action, under ERISA or otherwise, in respect of any provision of this Agreement as it relates to any such employee benefit plan or otherwise. Without limiting the foregoing or Section 14.08 in any way, nothing in this Agreement, express or implied, is intended to or shall confer upon any current, former or future Business Employee or Transferred Employee any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, including any right to any compensation, benefits or other terms and conditions of employment from, or to continued employment for any period with, any of Seller, Buyer or any of their respective Affiliates.

## **ARTICLE X TAX MATTERS**

### Section 10.01 Liability for Taxes.

(a) Seller shall be liable for and pay, and shall indemnify and hold harmless the Buyer Indemnified Parties from and against Losses attributable to, without duplication, (i) Taxes imposed on the Company as a result of the Company having been a member of Seller’s Group prior to the Closing Date, (ii) Taxes imposed on the Company for any Pre-Accounts Date Taxable Periods, (iii) Taxes in excess of (A) the Deemed Tax Liability reduced by (B) any payments made by Buyer under Section 10.01(b)(i) or by the Company under Section 10.05(b)(ii) or (iv) or remitted by Buyer or the Company to a Tax Authority under Section 10.02, that are imposed on the Company or for

which the Company may otherwise be liable for any Post-Accounts Date Taxable Period ending on the earlier of the end of such period and the Closing Date and (iv) Taxes that arise from or are attributable to any breach of any covenant under Article X and any inaccuracy in or breach of any representation or warranty made in Section 5.19(d), (e) or (f); provided, that Seller shall not be liable for or pay, and shall not indemnify Buyer from and against, (A) any Taxes that result from any actual or deemed election under Sections 336(e) or 338 of the Code or any similar provisions of state, local or foreign Law as a result of the purchase of the Shares or that result from Buyer, any Affiliate of Buyer or (after the Closing Date) the Company engaging in any activity or transaction (except as contemplated by this Agreement or required by applicable Law) that would cause the transactions contemplated by this Agreement to be treated as a purchase or sale of assets of the Company for foreign, federal, state, local or other Tax purposes, (B) any Taxes for which Buyer is liable under Section 10.01(b), and (C) any Taxes to the extent of any related accrued current tax payable shown on the Financial Statements as of the Accounts Date (Taxes described in clauses (A) and (C) of this proviso, “Excluded Taxes”). Seller shall be entitled to any refund of (or credit for) Taxes of the Company (other than Excluded Taxes) allocable to any Pre-Accounts Date Taxable Periods (except to the extent such refund (x) results from the carryback of a Tax Attribute relating to a Post-Accounts Date Taxable Period or (y) is reflected on the Financial Statements as a current tax receivable as of the Accounts Date). Any such refunds received by Buyer or its Affiliates shall be promptly, and in any event within thirty (30) days of the receipt of such refund, paid over to Seller (less out-of-pocket expenses incurred in connection with obtaining such refund and less any Taxes incurred in connection with the receipt of such refund). Buyer shall and shall cause its Affiliates to take reasonable steps to secure any such refund or credit that would otherwise be available. Buyer and the Company shall be entitled to all other refunds in respect of any Taxes of the Company (including to the extent such refund results from the carryback of a Tax Attribute relating to a Post-Accounts Date Taxable Period), and if such refunds are received by Seller or any Affiliate thereof, Seller shall promptly, and in any event within thirty (30) days of the receipt of any such refund, pay such refund over to, or as directed by, Buyer (less out-of-pocket expenses incurred in connection with obtaining such refund and less any Taxes incurred in connection with the receipt of such refund).

(b) After the Closing, Buyer shall be liable for and pay, and shall indemnify and hold harmless the Seller Indemnified Parties from and against, any Losses attributable to, without duplication, (i) Taxes imposed on the Company, or for which the Company may otherwise be liable, for any Post-Accounts Date Taxable Period ending on or before the Closing Date, provided, that Buyer’s cumulative liability with respect to such Taxes shall not exceed an amount equal to the excess of (I) the Deemed Tax Liability over (II) any amount paid by the Company to Seller pursuant to Section 10.05(b)(ii) or (iv) or to a Tax Authority pursuant to Section 10.02(a) with respect to such taxable periods, (ii) any breach or failure of Buyer to perform any of its covenants or obligations contained in this Article X, (iii) Taxes imposed or required to be paid by or in respect of the Company arising as a result of actions taken by the Company on the Closing Date after the Closing and (iv) Excluded Taxes.

(c) For purposes of Section 10.01(a) and Section 10.01(b), whenever it is necessary to determine the liability for Taxes of the Company for a partial period, the determination of the Taxes of the Company for the portion of the period ending on and including, and the portion

of the period beginning after, the Accounts Date (or Closing Date) shall be determined by assuming that the period consisted of two (2) Taxable years or periods, one which ended at the close of the Accounts Date (or Closing Date) and the other which began at the beginning of the day after the Accounts Date (or Closing Date), and (a) in the case of real and personal property Taxes, such Taxes shall be apportioned between such two (2) Taxable years or periods on a per diem basis and (b) all other Taxes shall be allocated between such two (2) Taxable years or periods on a “closing of the books basis” by assuming that the books of the Company were closed at the close of the Accounts Date (or Closing Date); provided, that exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, shall be apportioned between such two (2) Taxable years or periods on a daily basis.

(d) Notwithstanding anything herein to the contrary, Buyer and Seller each shall pay, and shall indemnify Buyer or Seller, as applicable, against fifty percent (50%) of any real property transfer or gains Tax, transfer Tax, sales Tax, use Tax, stamp Tax, stock transfer Tax, or other similar Tax imposed on the transactions contemplated by this Agreement.

(e) To the extent of any inconsistency between this Article X and Article XIII, this Article X shall control as to Tax matters. For the avoidance of doubt, none of the limitations on indemnification contained in Article XIII shall apply to claims under this Article X.

#### Section 10.02 Tax Returns.

(a) (i) Seller shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) (A) all Tax Returns that are required to be filed by or with respect to the Company on a combined, consolidated or unitary basis with Seller or any Affiliate thereof (other than the Company or any Subsidiary), (B) all other income or premium Tax Returns that are required to be filed by or with respect to the Company for Taxable years or periods ending on or before the Closing Date, and (C) all other Tax Returns that are required to be filed by or with respect to the Company (taking into account all extensions properly obtained) on or prior to the Closing Date. Seller shall remit or cause to be remitted any Taxes due in respect of the Tax Returns described in clause (A), and the Company legally responsible for filing a Tax Return described in clause (B) or (C) shall remit any Taxes due in respect of such Tax Returns. Buyer shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all other Tax Returns that are required to be filed by or with respect to the Company or any Subsidiary after the Closing Date and, with respect to any period ending on or prior to the Closing Date, Buyer shall remit or cause to be remitted any Taxes due in respect of such Tax Returns.

(ii) All Tax Returns that Buyer or Seller, as applicable, is required to file or cause to be filed in accordance with Section 10.02(a) (other than the portions of the federal consolidated income Tax Return that includes Seller that do not affect Taxes for which Buyer could be liable under Section 10.01(b)(i)) that relate to any Taxable year or period beginning before the Closing Date shall be prepared and filed in a manner consistent with past practice and, on such Tax Returns, no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods adopted in preparing and filing similar Tax Returns in prior periods except to the extent required by applicable Law. Not less than thirty (30) days prior to the due date for such Tax Return, taking into account extensions (or, if such due date is within

thirty (30) days following the Closing Date, as promptly as practicable following the Closing Date), the preparing party shall provide Buyer or Seller, as applicable, with a draft copy of such Tax Return (provided, however, that in the case of any combined, consolidated or unitary return such copy shall include only pro forma information for the Company) for such party's approval (which approval shall not be unreasonably conditioned, withheld or delayed). Seller and Buyer shall reasonably cooperate to resolve any disagreements with respect to such Tax Return and the preparing party shall file or cause to be filed such Tax Return as finally agreed to by the parties. In the event of any disagreement that cannot be resolved between the Buyer and Seller, such disagreement shall be resolved by an accounting firm of international reputation mutually agreeable to Seller and Buyer (the "Tax Accountant"), and any such determination by the Tax Accountant shall be final. The fees and expenses of the Tax Accountant shall be borne equally by Buyer and Seller. If the Tax Accountant does not resolve any differences between Seller and Buyer with respect to such Tax Return at least five days prior to the due date therefor (or in the case of a pro forma Tax Return, the due date for the Tax Return to which such pro forma Tax Return relates), such Tax Return shall be filed as prepared and amended to reflect the Tax Accountant's resolution.

(iii) Within thirty (30) days after filing of the federal consolidated income Tax Return that includes Seller with respect to Taxable years beginning after the Accounts Date and prior to the Closing Date, Seller shall prepare and deliver to Buyer a pro forma copy of such Tax Return prepared solely with respect to the Company that illustrates the calculation of the Deemed Tax Liability in respect of federal income Taxes for the period covered by such Tax Return. Such pro forma Tax Return shall be prepared in a manner consistent with past practices of Seller, its Affiliates and the Company, other than with respect to the calculation of the Deemed Tax Liability. Buyer and Seller shall negotiate in good faith to resolve any disagreements with respect to such pro forma Tax Return, and any disputes shall be resolved by the Tax Accountant as provided in Section 10.02(a)(ii). Once the Deemed Tax Liability has been calculated in accordance with this Agreement and the pro forma Tax Returns (taking into account the resolution of any disagreements in relation to such pro forma Tax Returns), such Deemed Tax Liability, as so calculated, shall be considered final and, for the avoidance of doubt, shall not be adjusted in connection with any amendments to any Tax Returns or any settlements in relation to any Tax claims or otherwise.

(b) None of Buyer or any Affiliate of Buyer, except as required by applicable Law, shall (or shall cause or permit the Company to) make or change any Tax election, amend, refile or otherwise modify (or grant an extension of any statute of limitation with respect to) any Tax Return, or file any Tax Return for the first time in a jurisdiction not previously filed in, or of a type not previously filed, in each case, relating in whole or in part to the Company or any Subsidiary with respect to any Taxable year or period beginning before the Closing Date without the prior written consent of Seller (which shall not be unreasonably conditioned, withheld or delayed). Unless required by applicable Law, neither Seller nor any Affiliate of Seller shall amend any Tax Return relating in whole or in part to the Company or any Subsidiary in a manner that could reasonably be expected to increase the Tax liability of the Company for any Post-Accounts Date Taxable Period without the prior written consent of the Buyer. Buyer shall not, and shall not permit the Company to, carry back any net operating loss, capital loss or any other attribute to any Taxable year or period (or portion thereof) prior to the Closing Date, except to the extent required by applicable Law.

Section 10.03 Contest Provisions. BUYER AND SELLER SHALL PROMPTLY NOTIFY THE OTHER PARTY, AS APPLICABLE, IN WRITING UPON RECEIPT BY BUYER, THE SELLER, ANY OF THEIR AFFILIATES OR THE COMPANY OF NOTICE OF ANY PENDING OR THREATENED FEDERAL, STATE, LOCAL OR FOREIGN TAX AUDITS, EXAMINATIONS OR ASSESSMENTS WHICH COULD GIVE RISE TO A LIABILITY TO WHICH SUCH OTHER PARTY, ANY OF THEIR AFFILIATES OR THE COMPANY IS LIABLE PURSUANT TO SECTION 10.01(A), PROVIDED THAT BUYER'S OR SELLER'S FAILURE TO SO NOTIFY THE OTHER PARTY SHALL NOT LIMIT SUCH OTHER PARTY'S RIGHTS UNDER THIS ARTICLE X EXCEPT TO THE EXTENT SUCH PARTY IS MATERIALLY PREJUDICED BY SUCH FAILURE. EXCEPT AS OTHERWISE PROVIDED IN THE NEXT SENTENCE, SELLER SHALL HAVE THE RIGHT TO REPRESENT THE COMPANY'S INTERESTS IN ANY TAX AUDIT OR ADMINISTRATIVE OR COURT PROCEEDING RELATING TO A TAX RETURN PREPARED BY SELLER PURSUANT TO SECTION 10.02(A), AND TO EMPLOY COUNSEL OF ITS CHOICE AT ITS EXPENSE; PROVIDED THAT BUYER SHALL HAVE THE RIGHT TO PARTICIPATE IN ANY SUCH PROCEEDING UNLESS SUCH PROCEEDING INVOLVES A COMBINED, CONSOLIDATED OR UNITARY TAX RETURN. IN THE CASE OF A TAXABLE PERIOD ENDING AFTER THE ACCOUNTS DATE, BUYER SHALL HAVE THE RIGHT TO REPRESENT THE COMPANY'S INTERESTS IN ANY TAX AUDIT OR ADMINISTRATIVE OR COURT PROCEEDING (UNLESS SUCH PROCEEDING INVOLVES A COMBINED, CONSOLIDATED OR UNITARY TAX RETURN), PROVIDED THAT SELLER SHALL BE ENTITLED TO PARTICIPATE AT ITS EXPENSE IN ANY SUCH TAX AUDIT OR ADMINISTRATIVE OR COURT PROCEEDING RELATING (IN WHOLE OR IN PART) TO TAXES FOR WHICH SELLER IS LIABLE PURSUANT TO SECTION 10.01(A). IN EITHER CASE, THE PARTY CONTROLLING SUCH TAX AUDIT, EXAMINATION OR PROCEEDING SHALL (A) NOTIFY THE OTHER PARTY OF SIGNIFICANT DEVELOPMENTS WITH RESPECT TO SUCH TAX AUDIT, EXAMINATION OR PROCEEDING AND KEEP THE OTHER PARTY REASONABLY INFORMED AND CONSULT WITH THE OTHER PARTY AS TO THE RESOLUTION OF ANY ISSUE THAT WOULD MATERIALLY AFFECT SUCH OTHER PARTY, (B) GIVE TO THE OTHER PARTY A COPY OF ANY TAX ADJUSTMENT PROPOSED IN WRITING WITH RESPECT TO SUCH TAX AUDIT, EXAMINATION OR PROCEEDING AND COPIES OF ANY OTHER WRITTEN CORRESPONDENCE WITH THE RELEVANT TAXING AUTHORITY RELATING TO SUCH TAX AUDIT, EXAMINATION OR PROCEEDING AND (C) NOT SETTLE OR COMPROMISE ANY ISSUE WITHOUT THE CONSENT OF SUCH OTHER PARTY, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD, DELAYED OR CONDITIONED.

Section 10.04 Assistance and Cooperation. ON AND AFTER THE CLOSING DATE, EACH OF SELLER AND BUYER SHALL (AND SHALL CAUSE THEIR RESPECTIVE AFFILIATES TO):

- (a) assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing in accordance with Section 10.02;
- (b) cooperate fully in preparing for any audits of, or disputes with Tax authorities regarding, any Tax Returns of the Company;

(c) make available to the other and to any Tax Authority as reasonably requested all information, records and documents relating to Taxes of the Company;

(d) provide timely notice to the other in writing of any pending or threatened Tax audits or assessments of the Company for Taxable periods for which the other may have a Liability under Section 10.01;

(e) furnish the other with copies of all correspondence received from any Tax Authority in connection with any Tax audit or information request with respect to any such Taxable period;

(f) timely sign and deliver such certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or other reports with respect to, Taxes described in Section 10.01(d) (relating to sales, transfer and similar Taxes); and

(g) timely provide to the other powers of attorney or similar authorizations necessary to carry out the purposes of this Article X.

#### Section 10.05 Tax Sharing Payments.

(a) Notwithstanding anything to the contrary contained herein, as of the date hereof, (i) Seller shall, and shall cause its Affiliates (including the Company) to, take such actions as may be necessary to terminate all contracts and agreements between the Company, on the one hand, and Seller or any Affiliate of Seller (other than the Company), on the other hand, relating to Tax allocation, sharing or paying agreements (including the Tax Sharing Agreement), and none of Seller or its Affiliates shall have any continuing obligation to the Company (or vice versa) under the Tax Sharing Agreement after the date hereof (other than any such obligations pursuant to this Agreement). Such termination shall be effective as of the Accounts Date.

(b) Notwithstanding anything to the contrary contained herein, and notwithstanding the termination of the Tax Sharing Agreement, as of the date hereof, each of Seller and the Company shall make such payments as would have been required with respect to any period from the Accounts Date to and including the Closing Date with respect to the Company as if the terms of the Tax Sharing Agreement were continued in accordance with past practice except that:

(i) no Taxes will be payable by or to the Company with respect to any Taxable year or period ending on or before the Accounts Date, but any refunds received shall be apportioned in accordance with Section 10.01(a);

(ii) with respect to Taxable years or periods beginning after the Accounts Date, payments in respect of federal income Taxes shall be determined in accordance with the definition of Deemed Tax Liability (and, for the avoidance of doubt, in no event shall such payments exceed the Deemed Tax Liability);



(iii) payment shall be made to the Company by Seller or its Affiliates (other than the Company) in the event that a deduction, loss or credit attributable to the Company and arising in a Post-Accounts Date Taxable Period is actually used by a member of the Seller's Group (other than the Company); and

(iv) following the finalization of any pro forma Tax Return pursuant to Section 10.02(a)(iii), Seller or the Company, as appropriate, shall pay such amounts (determined consistent with the principles of clauses (ii) and (iii) above) so that the total amount paid with respect to the Taxable year or period covered by such Tax Return pursuant to this Section 10.05 is consistent with the calculations set forth on such pro forma Tax Return.

#### Section 10.06 Other Tax Matters.

(a) Except for Taxes that arise or are attributable to any inaccuracy in or breach of any representation or warranty made in Section 5.12 or Section 5.20, the indemnification provided in this Article X shall be the sole remedy for any claim in respect of Taxes and the provisions of Article XIII shall not apply to such claims, except as expressly provided.

(b) Any claim for indemnity under this Article X may only be made at a time prior to sixty (60) days after the expiration of the applicable Tax statute of limitations with respect to the relevant Taxable period (including all periods of extension, whether automatic or permissive). The parties agree to treat any indemnification payment made under this Agreement as an adjustment to the Purchase Price for the United States and applicable state and local income Tax purposes to the extent permitted by applicable Law.

(c) Seller shall make or cause to be made (and shall refrain from making or causing to be made, as applicable) Tax elections (including on a protective basis) so that the Company shall not suffer any reduction in tax basis or other attributes pursuant to Treasury Regulations Section 1.1502-36. Seller shall not make or permit to be made any election under Section 336 (e) of the Code with respect to the disposition of the Shares hereunder.

#### Section 10.07 338(h)(10) Election.

(a) The parties agree, promptly following the date hereof and prior to the Closing, to discuss and consider in good faith the making of an election under Section 338(h)(10) of the Code and similar provisions of other state, local and foreign tax Law (a "Section 338(h)(10) Election") with respect to the purchase of the Shares. The parties shall use reasonable best efforts to determine, prior to the Closing, whether a Section 338(h)(10) Election will result in a net tax cost to Seller as compared to a sale of the Shares without a Section 338(h)(10) Election (the "Seller Tax Cost"). For the avoidance of doubt, Seller Tax Cost shall include the loss of any Tax Attributes. Seller shall agree to make the Section 338(h)(10) Election, upon Buyer's request, if (a) Seller determines in its sole discretion acting in good faith that the Seller Tax Cost will not be greater than zero or (b) Buyer agrees to indemnify Seller, on an after-tax basis, for any Seller Tax Cost in a manner reasonably acceptable to Seller.

(b) If the parties agree to make the Section 338(h)(10) Election, they shall further negotiate in good faith such amendments to this Agreement or other documentation as may be necessary to include such agreement and certain matters related to the Section 338(h)(10) Election, including the delivery of appropriate tax forms and procedures regarding the purchase price allocation for tax purposes.

## **ARTICLE XI CONDITIONS TO CLOSING AND RELATED MATTERS**

Section 11.01 Conditions to Obligations of Seller. THE OBLIGATION OF SELLER TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL BE SUBJECT TO THE FULFILLMENT OR WAIVER BY SELLER, AT OR PRIOR TO THE CLOSING, OF EACH OF THE FOLLOWING CONDITIONS:

(a) Representations and Warranties; Covenants. (i) The representations and warranties of Buyer contained in Section 6.01 and Section 6.08(a) shall be true and correct in all respects as of the date hereof and as of the Closing Date as if made on the Closing Date, (i) the other representations and warranties of Buyer contained in Article VI shall be true and correct (without giving effect to any limitations as to materiality or Buyer Material Adverse Effect set forth therein) as of the date hereof and as of the Closing Date as if made on the Closing Date (other than any representation or warranty expressly made as of another date, which representation or warranty shall have been true and correct as of such date), except where the failure of such representations and warranties, individually or in the aggregate, to be true and correct has not had, and would not reasonably be expected to have, a Buyer Material Adverse Effect, (i) the covenants contained in this Agreement to be complied with by Buyer at or before the Closing shall have been complied with in all material respects and (i) Seller shall have received a certificate of Buyer dated as of the Closing Date signed by a duly authorized executive officer of Buyer certifying the satisfaction of the conditions set forth in clauses (i), (ii) and (iii) above.

(b) Approvals of Governmental Authorities. The Governmental Approvals listed in Schedule 11.01(b) shall have been received (or any waiting period shall have expired or shall have been terminated) and shall be in full force and effect.

(c) No Governmental Order. There shall be no Governmental Order or other legal restraint or prohibition in existence that prohibits the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements, and no Action by any Governmental Authority seeking the imposition of any such Governmental Order, restraint or prohibition shall be pending or threatened in writing by any Governmental Authority.

(d) Other Agreements. The applicable Buyer Party shall have executed and delivered, or have caused to be executed and delivered, to Seller each of the other Transaction Agreements to which Buyer or any of its applicable Affiliates is a party.

Section 11.02 Conditions to Obligations of Buyer. THE OBLIGATIONS OF BUYER TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS

AGREEMENT SHALL BE SUBJECT TO THE FULFILLMENT OR WAIVER BY BUYER, AT OR PRIOR TO THE CLOSING, OF EACH OF THE FOLLOWING CONDITIONS:

(a) Representations and Warranties; Covenants. (i) The representations and warranties of Seller contained in Section 4.01, Section 5.01(a) and (b), Section 5.02 (other than Section 5.02(e)) and Section 5.23 shall be true and correct in all respects as of the date hereof and as of the Closing Date as if made on the Closing Date, (ii) the other representations and warranties of Seller contained in Article IV and Article V shall be true and correct (without giving effect to any limitations as to materiality or Company Material Adverse Effect set forth therein, other than the representation and warranty in Section 5.04(b) and any use of the defined term “Material Contract”) as of the date hereof and as of the Closing Date as if made on the Closing Date (other than any representation or warranty expressly made as of another date, which representation or warranty shall have been true and correct as of such date), except where the failure of such representations and warranties, individually or in the aggregate, to be true and correct has not had, and would not reasonably be expected to have, a Company Material Adverse Effect, (iii) the covenants contained in this Agreement to be complied with by Seller on or before the Closing shall have been complied with in all material respects and (iv) Buyer shall have received a certificate of Seller dated as of the Closing Date signed by a duly authorized executive officer of Seller certifying to the satisfaction of the conditions set forth in clauses (i), (ii) and (iii) above.

(b) Approvals of Governmental Authorities. The Governmental Approvals listed in Schedule 11.02(b) shall have been received (or any waiting period shall have expired or shall have been terminated) without the imposition of any Burdensome Condition and shall be in full force and effect.

(c) No Governmental Order. There shall be no Governmental Order or other legal restraint or prohibition in existence that prohibits the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements, and no Action by any Governmental Authority seeking the imposition of any such Governmental Order, restraint or prohibition shall be pending or threatened in writing by any Governmental Authority.

(d) No Company Material Adverse Effect. There shall not have occurred any fact, condition, circumstances, change or effect since the Accounts Date that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(e) FIRPTA Certificate. Seller shall have delivered to Buyer a statement, meeting the requirements of Section 1.1445-2(b) of the Treasury Regulations, to the effect that Seller is not a “foreign person” within the meaning of Section 1445 of the Code and the Treasury Regulations thereunder.

(f) Other Agreements. The applicable Seller Party shall have executed and delivered, or caused to be executed and delivered, to Buyer each of the other Transaction Agreements to which Seller or any of its applicable Affiliates (including the Company) is a party.

**ARTICLE XII**  
**TERMINATION AND WAIVER**

Section 12.01 Termination. THIS AGREEMENT MAY BE TERMINATED PRIOR TO THE CLOSING:

(a) by the mutual written consent of Seller and Buyer;

(b) by either Seller or Buyer if the Closing shall not have occurred prior to May 31, 2018 (the “Outside Date”) or such later date as the parties may mutually agree; provided, that (i) if on the initial Outside Date (the “Initial Outside Date”), the conditions set forth in Section 11.01(b) and Section 11.02(b) are the only conditions in Article XI (other than those conditions that by their nature are to be satisfied at the Closing) that shall not have been satisfied or waived on or before such date, Seller may unilaterally extend the Outside Date by up to two (2) months and the Outside Date shall be deemed for all purposes to be such later date, (ii) if on the New Outside Date, the conditions set forth in Section 11.01(b) and Section 11.02(b) are the only conditions in Article XI (other than those conditions that by their nature are to be satisfied at the Closing) that shall not have been satisfied or waived on or before such date, Seller may unilaterally extend the New Outside Date by two (2) additional months and the Outside Date shall be deemed for all purposes to be such later date and (iii) if (A) on the Initial Outside Date, the conditions set forth in Section 11.01(b) and Section 11.02(b) are the only conditions in Article XI (other than those conditions that by their nature are to be satisfied at the Closing) that shall not have been satisfied or waived on or before such date and (B) the Insurance Commissioner of the State of Iowa shall have publicly noticed a public hearing in respect of the “Form A” Acquisition of Control filed by Buyer pursuant to Section 7.03(a) hereof prior to the Initial Outside Date, Buyer may unilaterally extend the Initial Outside Date by two (2) months and the Outside Date shall be deemed for all purposes to be such later date; provided, further, that the right to terminate this Agreement under this Section 12.01(b) shall not be available to any party whose failure to take any action required to fulfill any of such party’s obligations under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to the Outside Date;

(c) by either Seller or Buyer in the event that a Governmental Authority of competent jurisdiction shall have enacted, enforced or entered any Law or a Governmental Order prohibiting the consummation of the transactions contemplated by this Agreement;

(d) by Buyer in the event there has occurred any Company Material Adverse Effect or a breach by Seller of any of Seller’s covenants, representations or warranties contained herein that would result in the conditions to Closing set forth in Section 11.02(a) not being satisfied, and such Company Material Adverse Effect or breach is either not capable of being cured prior to the Outside Date or, if curable, Seller shall have failed to cure such Company Material Adverse Effect or breach within ninety (90) days after receipt of written notice thereof from Buyer requesting such breach to be cured;

(e) by Seller in the event of a breach by Buyer of any of Buyer’s covenants, representations or warranties contained herein that would result in the conditions to Closing set forth in Section 11.01(a) not being satisfied, and such breach is either not capable of being cured

prior to the Outside Date or, if curable, Buyer shall have failed to cure such breach within sixty (60) days after receipt of written notice thereof from Seller requesting such breach to be cured; or

(f) by Buyer in accordance with Section 7.07.

Section 12.02 Notice of Termination. ANY PARTY DESIRING TO TERMINATE THIS AGREEMENT PURSUANT TO SECTION 12.01 SHALL GIVE WRITTEN NOTICE OF SUCH TERMINATION TO THE OTHER PARTY TO THIS AGREEMENT.

Section 12.03 Effect of Termination. IN THE EVENT OF THE TERMINATION OF THIS AGREEMENT AS PROVIDED IN SECTION 12.01, THIS AGREEMENT SHALL THEREAFTER BECOME VOID AND THERE SHALL BE NO LIABILITY ON THE PART OF ANY PARTY TO THIS AGREEMENT, EXCEPT AS SET FORTH IN SECTION 8.03, THIS ARTICLE XII AND ARTICLE XIV; PROVIDED, THAT NOTHING IN THIS SECTION 12.03 SHALL RELIEVE EITHER SELLER OR BUYER FROM LIABILITY FOR (A) FAILURE TO PERFORM ITS OBLIGATIONS SET FORTH IN SECTION 7.03(A) AND SECTION 7.03(B) OR (B) ANY FRAUD OR WILLFUL BREACH OF THIS AGREEMENT OR WILLFUL FAILURE TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT.

Section 12.04 Extension; Waiver. AT ANY TIME PRIOR TO THE CLOSING, EACH OF SELLER AND BUYER MAY (A) EXTEND THE TIME FOR THE PERFORMANCE OF ANY OF THE OBLIGATIONS OR OTHER ACTS OF THE OTHER PARTY, (B) WAIVE ANY INACCURACIES IN THE REPRESENTATIONS AND WARRANTIES OF THE OTHER PARTY CONTAINED IN THIS AGREEMENT OR IN ANY CERTIFICATE, INSTRUMENT, SCHEDULE OR OTHER DOCUMENT DELIVERED PURSUANT TO THIS AGREEMENT OR (C) WAIVE COMPLIANCE BY THE OTHER PARTY WITH ANY OF THE AGREEMENTS OR CONDITIONS CONTAINED IN THIS AGREEMENT. ANY SUCH EXTENSION OR WAIVER SHALL BE VALID ONLY IF SET FORTH IN AN INSTRUMENT IN WRITING SIGNED BY THE PARTY GRANTING SUCH EXTENSION OR WAIVER.

### **ARTICLE XIII INDEMNIFICATION**

Section 13.01 Indemnification by Seller.

(a) After the Closing and subject to Article X, the other provisions of this Article XIII and Section 14.01, Seller shall indemnify and hold harmless Buyer and its Affiliates (including the Company) and Representatives (collectively, the “Buyer Indemnified Parties”) from and against, and pay and reimburse, all Losses that any such Buyer Indemnified Party at any time suffers or incurs, or becomes subject to, as a result of or in connection with:

(i) the inaccuracy or breach of any representation or warranty made by Seller in Article IV or Article V of this Agreement; or

(ii) any breach or failure by Seller to perform any of its covenants or obligations contained in this Agreement.

(b) Notwithstanding any other provision to the contrary, Seller shall not be required to indemnify or hold harmless any Buyer Indemnified Party against any Losses pursuant to Section 13.01(a)(i) (other than Losses arising solely as a result of the inaccuracy or breach of any representation or warranty made by Seller in Section 4.01, Sections 5.01(a) and (b), Section 5.02 (other than Section 5.02(e)) and Section 5.23, as to which the limitations in this sentence shall not apply) (i) with respect to any claim (or series of claims arising from substantially similar underlying facts, events or circumstances) unless such claim (or series of claims arising from substantially similar underlying facts, events or circumstances) involves Losses in excess of \$50,000 (nor shall any such claim or series of claims that does not meet the \$50,000 threshold be applied to or considered for purposes of calculating the aggregate amount of the Buyer Indemnified Parties' Losses for which Seller has responsibility under clause (ii) below) and (ii) until the aggregate amount of the Buyer Indemnified Parties' Losses exceeds \$2,800,000, after which Seller shall, subject to the immediately succeeding sentence, be obligated to indemnify and hold harmless the Buyer Indemnified Parties against all Losses of the Buyer Indemnified Parties that in the aggregate are in excess of such amount. The cumulative aggregate liability of Seller under Section 13.01(a)(i) shall in no event exceed \$35,000,000 (other than in respect of Losses arising solely as a result of the inaccuracy or breach of any representation or warranty made by Seller in Section 4.01, Sections 5.01(a) and (b), Section 5.02 (other than Section 5.02(e)) and Section 5.23, in which case, Seller's aggregate liability shall not exceed the Purchase Price).

#### Section 13.02 Indemnification by Buyer.

(a) After the Closing and subject to Article X, the other provisions of this Article XIII and Section 14.01, Buyer shall indemnify and hold harmless Seller and its Affiliates and Representatives (collectively, the "Seller Indemnified Parties") from and against, and pay and reimburse, all Losses that any such Seller Indemnified Party at any time suffers or incurs, or becomes subject to, as a result of or in connection with:

(i) the inaccuracy or breach of any representation or warranty made by Buyer in Article VI of this Agreement; or

(ii) any breach or failure by Buyer to perform any of its covenants or obligations contained in this Agreement.

(b) Notwithstanding any other provision to the contrary, Buyer shall not be required to indemnify or hold harmless any Seller Indemnified Party against any Losses pursuant to Section 13.02(a)(i) (other than Losses arising solely as a result of the inaccuracy or breach of any representation or warranty made by Buyer in Section 6.01 or Section 6.08, as to which the limitations in this sentence shall not apply) (i) with respect to any claim (or series of claims arising from substantially similar underlying facts, events or circumstances), unless such claim (or series of claims arising from substantially similar underlying facts, events or circumstances) involves Losses in excess of \$50,000 (nor shall any such claim or series of related claims that does not meet the \$50,000 threshold be applied to or considered for purposes of calculating the aggregate amount of the Seller Indemnified Parties' Losses for which Buyer has responsibility under clause (ii) below) and (ii) until the aggregate amount of the Seller Indemnified Parties' Losses exceeds \$2,800,000, after which Buyer shall, subject to the immediately succeeding sentence, be obligated to indemnify

and hold harmless the Seller Indemnified Parties against all Losses of the Seller Indemnified Parties that, in the aggregate, are in excess of such amount. The cumulative aggregate liability of Buyer under Section 13.02(a)(i) shall in no event exceed \$35,000,000 (other than in respect of Losses arising solely as a result of the inaccuracy or breach of any representation or warranty made by Buyer in Sections 6.01 or 6.08, in which case, Buyer's aggregate liability shall not exceed the Purchase Price).

### Section 13.03 Notification of Claims.

(a) A Person who may be entitled to be indemnified and held harmless under Section 13.01 or Section 13.02 (the "Indemnified Party"), shall promptly notify the party that is potentially liable therefor (the "Indemnifying Party") in writing of any pending or threatened claim or demand by a third party that the Indemnified Party has determined has given or could reasonably give rise to such a right under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third-Party Claim"), describing in reasonable detail, to the extent reasonably available at such time, the facts and circumstances with respect to the subject matter of such claim or demand and the specific representation, warranty or provision of this Agreement that the Indemnified Party alleges to be breached; provided, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article XIII except to the extent the Indemnifying Party forfeits rights or defenses, or is otherwise actually and materially prejudiced by such failure, it being understood that notices for claims in respect of a breach of a representation, warranty, covenant or agreement must be delivered prior to the expiration of any applicable survival period specified in Section 14.01 for such representation, warranty, covenant or agreement. Following delivery of a notice of a Third-Party Claim, the Indemnified Party shall deliver to the Indemnifying Party, promptly after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to such Third-Party Claim.

(b) Following receipt of a notice of a Third-Party Claim from an Indemnified Party pursuant to Section 13.03(a), subject to Section 13.03(c), the Indemnifying Party, by written notice to the Indemnified Party, may assume the defense and control of such Third-Party Claim; provided, that the Indemnifying Party shall not be entitled to assume or maintain control of the defense of any Third-Party Claim and shall pay the reasonable fees and expenses of counsel retained by the Indemnified Party if (i) the Third-Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation against the Indemnified Party or (ii) if the Indemnified Party determines in good faith that (A) an actual or likely conflict of interest makes representation of the two parties by the same counsel inappropriate or (B) that there may be available defenses or counterclaims available to the Indemnified Party that are inconsistent with those available to the Indemnifying Party.

(c) Subject to Section 13.03(d), the Indemnified Party may take any actions reasonably necessary to defend such Third-Party Claim prior to the time that it receives a notice from the Indemnifying Party as contemplated by Section 13.03(b). If the Indemnifying Party assumes the defense of any Third-Party Claim, the Indemnifying Party shall allow the Indemnified Party a reasonable opportunity to participate in the defense of such Third-Party Claim with its own

counsel and at its own expense, and the Indemnifying Party shall not, as long as it diligently conducts the defense of the applicable Third-Party Claim, be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof (except as otherwise permitted in Section 13.03(b)). Seller or Buyer, as the case may be, shall, and shall cause each of its Affiliates and Representatives to, cooperate fully with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of any Third-Party Claim. Without limiting the generality of the foregoing, from and after the delivery of a notice of a claim for indemnification with respect to a Third-Party Claim, at the reasonable request of the Indemnifying Party, each Indemnified Party shall grant the Indemnifying Party and its Representatives reasonable access, during normal business hours, to the books, records, personnel and properties of the Indemnified Party to the extent reasonably related to such Third-Party Claim at the Indemnifying Party's expense. If the Indemnifying Party fails to take reasonable steps necessary to defend diligently the action or proceeding after notifying the Indemnified Party of its assumption of the defense and investigation of such Third-Party Claim, the Indemnified Party may assume such defense, and the reasonable fees of its attorneys and other advisors will be covered by the indemnity provided for in this Article XIII upon determination of the Indemnifying Party's indemnity obligations. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), settle, compromise or discharge any pending or threatened Third-Party Claim or consent to a settlement of, or the entry of any judgment arising from, any pending or threatened Third-Party Claim unless (i) such settlement provides only for the payment of monetary damages (and does not impose any injunctive relief or otherwise impose any conditions or restrictions on the applicable Indemnified Party) and does not involve any finding or admission of any violation of Law on the part of the Indemnified Party, (ii) the Indemnifying Party pays or causes to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness of such settlement (other than as contemplated by Section 13.01(b) or Section 13.02(b)), (iii) such settlement does not encumber any of the material assets of any Indemnified Party or agree to any restriction or condition that would materially adversely affect any Indemnified Party or the conduct of any Indemnified Party's business and (iv) the Indemnifying Party obtains, as a condition of any settlement or other resolution, a complete and unconditional release of each Indemnified Party from any and all liability in respect of such Third-Party Claim. If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days following its receipt of the notice of a Third-Party Claim that it desires to assume the defense and investigation of such Third-Party Claim, then the Indemnified Party shall have the right to control any such defense.

(d) No Indemnifying Party shall have any liability under this Article XIII for any Losses arising out of or in connection with any Third-Party Claim that is settled or compromised by an Indemnified Party without the prior consent of such Indemnifying Party (such consent not to be unreasonably withheld, conditioned or delayed).

(e) If an Indemnified Party wishes to make a claim under this Article XIII that does not involve a Third-Party Claim, the Indemnified Party shall give written notice to the Indemnifying Party setting forth, to the extent reasonably available at such time, (i) a reasonably detailed description of the claim, (ii) a good faith estimate of the amount of the claim (to the extent ascertainable) and (iii) the specific representation, warranty or provision of this Agreement that the



Indemnified Party alleges to be breached. The failure by the Indemnified Party to provide such notice on a timely basis shall not release the Indemnifying Party from any of its obligations under this Article XIII except to the extent the Indemnifying Party forfeits rights or defenses, or is otherwise actually and materially prejudiced by such failure, it being understood that notices for claims in respect of a breach of a representation, warranty, covenant or agreement must be delivered prior to the expiration of any applicable survival period specified in Section 14.01 for such representation, warranty, covenant or agreement. The Indemnifying Party shall have a period of 30 days within which to respond to such claim. If the Indemnifying Party does not respond within such 30-day period, the Indemnifying Party will be deemed to have accepted such claim. If the Indemnifying Party rejects all or any part of such claim, the Indemnified Party shall be free to seek enforcement of its rights of indemnification under this Agreement with respect to such claims.

(f) If there shall be any conflict between the provisions of this Section 13.03 and Section 10.03 (relating to Tax contests), the provisions of Section 10.03 shall control with respect to Tax contests.

**Section 13.04 Payment. ANY PAYMENT ARISING UNDER THIS ARTICLE XIII SHALL BE MADE BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS TO SUCH ACCOUNT OR ACCOUNTS AS THE INDEMNIFIED PARTY SHALL DESIGNATE TO THE INDEMNIFYING PARTY IN WRITING.**

**Section 13.05 No Duplication; Exclusive Remedies.**

(a) Any liability for indemnification hereunder and under any other Transaction Agreement shall be determined without duplication of recovery by reason of the same Loss.

(b) Prior to the Closing, other than in the case of fraud by Seller or any of its Affiliates, the sole and exclusive remedy of Buyer for any breach or inaccuracy of any representation or warranty contained in this Agreement or any certificate or instrument delivered hereunder shall be refusal to consummate the transactions contemplated by the Transaction Agreements and termination of this Agreement in accordance with Section 12.01.

(c) Following the Closing, other than in the case of fraud by Buyer or Seller or any of their respective Affiliates, and except for breaches or non-performance of provisions in this Agreement for which the remedy of specific performance is available pursuant to Section 14.14, the indemnification provisions of Article XIII and, with respect to Taxes, Article X, shall be the sole and exclusive remedies of Seller and Buyer, respectively, for any breach of the representations or warranties in this Agreement and for any failure to perform or comply with any covenants or agreements contained in this Agreement. In furtherance of the foregoing, each of Buyer, on behalf of itself and each other Buyer Indemnified Party, and Seller, on behalf of itself and each other Seller Indemnified Party, hereby waives, from and after the Closing, to the fullest extent permitted under applicable Law, any and all rights, claims and causes of action (other than claims of, or causes of action arising from, fraud) it may have against Seller or any of its Affiliates or Representatives and Buyer or any of its Affiliates or Representatives, as the case may be, arising under or based upon this Agreement, any certificate or instrument delivered in connection herewith (whether under this Agreement or arising under common Law or any other applicable Law), except pursuant to: (i) the

indemnification provisions set forth in this Article XIII or (ii) as provided under (A) the provisions of Section 2.03, (B) the provisions of Article X, (C) the provisions hereof providing for equitable remedies or (D) the provisions of any other Transaction Agreement.

Section 13.06 Additional Indemnification Provisions.

(a) With respect to each indemnification obligation in this Agreement (i) each such obligation shall be calculated on an After-Tax Basis, (ii) all Losses shall be net of any related Eligible Insurance Proceeds and (iii) in no event shall the Indemnifying Party have liability to the Indemnified Party for any consequential, special, incidental, punitive or exemplary damages (other than (A) any such damages actually paid to any unaffiliated third party or (B) any such damages to the extent they are reasonably foreseeable (other than, in the case of this subclause (B), any punitive or exemplary damages even if such damages are reasonably foreseeable)). For purposes of this Section 13.06(a), “reasonably foreseeable” shall be determined solely by reference to the conduct of the Business as currently conducted and shall not take into account any current or future plans for the expansion, reduction, modification, improvement or alteration of the Business following the Closing, regardless of whether any such plans are communicated to or otherwise known by Seller or its Affiliates.

(b) In any case where an Indemnified Party recovers from a third Person any amount in respect of any Loss paid by the Indemnifying Party pursuant to this Article XIII, such Indemnified Party shall promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the amount of reasonable costs incurred by it in procuring such recovery, which costs shall not exceed the amount so recovered), but not in excess of any amount previously paid by the Indemnifying Party to or on behalf of the Indemnified Party in respect of such claim.

(c) If any portion of Losses to be paid by the Indemnifying Party pursuant to this Article XIII could be recovered from a third party not affiliated with the relevant Indemnified Party based on the underlying claim or demand asserted against such Indemnifying Party, then the Indemnified Party shall promptly give notice thereof to the Indemnifying Party and, upon the request of the Indemnifying Party, shall use reasonable best efforts to collect the maximum amount recoverable from such third party, in which event the Indemnifying Party shall reimburse the Indemnified Party for all reasonable costs incurred in connection with such collection (which costs of collection shall not exceed the amount recoverable from such third party). If any portion of Losses actually paid by the Indemnifying Party pursuant to this Article XIII could have been recovered from a third party not affiliated with the relevant Indemnified Party based on the underlying claim or demand asserted against such Indemnifying Party, then the Indemnified Party shall transfer, to the extent transferable, such of its rights to proceed against such third party as are necessary to permit the Indemnifying Party to recover from such third party any amount actually paid by the Indemnifying Party pursuant to this Article XIII.

(d) The parties shall treat any indemnification payment made under this Agreement as an adjustment to the Purchase Price.

(e) If any portion of Losses to be paid by the Indemnifying Party pursuant to this Article XIII may be covered, in whole or in part, by third-party insurance coverage, the

Indemnified Party shall promptly give notice thereof to the Indemnifying Party. The Indemnified Party shall use reasonable best efforts to collect the maximum amount of insurance proceeds thereunder, and all such proceeds actually collected in respect of any Loss (net of (i) the amount of reasonable costs incurred by the Indemnified Party or its Affiliates in collecting such proceeds and (ii) the present value of any increase in insurance premiums or other charges paid or reasonably expected to be paid by such Indemnified Party or its Affiliate's arising out of such Loss) shall be considered "Eligible Insurance Proceeds."

(f) For purposes of determining whether a breach of any representation or warranty made in this Agreement has occurred, and for calculating the amount of any Loss under this Article XIII, each representation and warranty contained in this Agreement shall be read without regard to any "materiality," "Company Material Adverse Effect," "Buyer Material Adverse Effect" or other similar qualification contained in or otherwise applicable to such representation or warranty, other than (i) the representation and warranty in Section 5.04(b) and (ii) any use of the defined terms "Material Contract" or "Material Distributor".

Section 13.07 Reserves. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR THE OTHER TRANSACTION AGREEMENTS, SELLER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO, AND NOTHING CONTAINED IN THIS AGREEMENT, ANY OTHER TRANSACTION AGREEMENTS, OR IN ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT TO BE DELIVERED IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IS INTENDED OR SHALL BE CONSTRUED TO BE A REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) OF SELLER, FOR ANY PURPOSE OF THIS AGREEMENT, THE OTHER TRANSACTION AGREEMENTS, OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT TO BE DELIVERED IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, WITH RESPECT TO (A) THE ADEQUACY OR SUFFICIENCY OF THE RESERVES OF THE COMPANY OR (B) THE FUTURE PROFITABILITY OF THE BUSINESS.

Section 13.08 Reservation of Rights. ANY INDEMNIFIED PARTY SHALL BE AN INTENDED THIRD PARTY BENEFICIARY OF THE INDEMNIFICATION OBLIGATIONS OF BUYER AND SELLER, RESPECTIVELY, IN THIS ARTICLE. NEITHER BUYER'S NOR SELLER'S RIGHT TO INDEMNITY PURSUANT TO THIS ARTICLE SHALL BE ADVERSELY AFFECTED BY (A) ANY INVESTIGATION CONDUCTED BY OR ON BEHALF OF SUCH PARTY OR BY ANY KNOWLEDGE OF BUYER OR BY ANY KNOWLEDGE OF SELLER, AS APPLICABLE, ACQUIRED BY OR ON BEHALF OF SUCH PARTY AS A RESULT OF SUCH INVESTIGATION OR OTHERWISE, IN EACH CASE, WHETHER BEFORE OR AFTER THE DATE OF THIS AGREEMENT OR THE CLOSING DATE OR (B) ITS WAIVER OF A CONDITION TO CLOSING SET FORTH IN ARTICLE XI.

## **ARTICLE XIV GENERAL PROVISIONS**

Section 14.01 Survival.

(a) The representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement or in any certificate furnished pursuant to this Agreement (other than the representations and warranties made in (i) Section 4.01, Sections 5.01(a) and (b), Section 5.02 (other than Section 5.02(e)), Section 5.23, Section 6.01 and Section 6.08, which shall survive the Closing indefinitely, (ii) Section 5.19(a), (b), (c), (g), (h), (i) and (j) (with respect to Tax matters) which shall not survive the Closing and shall terminate as of the Closing Date, (iii) Section 5.19(d), (e) and (f) which shall survive the Closing and shall terminate on the Tax Indemnity Expiration Date and (iv) Section 5.20, which shall survive Closing and shall terminate on the three (3) year anniversary of the Closing Date) shall survive the Closing and terminate on the date that is fifteen (15) months following the Closing Date (and no claims shall be made for indemnification with respect thereto under Sections 13.01 or 13.02 thereafter unless a notice of claim has been delivered prior to the expiration of such applicable survival period pursuant to Section 13.03(a) or Section 13.03(e), as the case may be, in which case the claim shall continue to be subject to indemnification in accordance with Article XIII notwithstanding the expiration of such survival period).

(b) All of the covenants and agreements under this Agreement which, by their terms, are to be performed or complied with in their entirety at or prior to the Closing shall survive the Closing and terminate on the date that is fifteen (15) months following the Closing Date; provided, that the covenants and agreements contained in Article X shall survive the Closing and terminate on the Tax Indemnity Expiration Date. The covenants and agreements under this Agreement that by their terms apply or are to be performed in whole or in part after the Closing Date shall survive the Closing and remain in effect for the period provided in such covenants and agreements, if any, or if later, until fully performed.

Section 14.02 Expenses. EXCEPT AS MAY BE OTHERWISE SPECIFIED IN THE TRANSACTION AGREEMENTS, ALL COSTS AND EXPENSES, INCLUDING FEES AND DISBURSEMENTS OF COUNSEL, FINANCIAL ADVISERS AND INDEPENDENT ACCOUNTANTS, INCURRED IN CONNECTION WITH THE TRANSACTION AGREEMENTS AND THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION AGREEMENTS SHALL BE PAID BY THE PERSON INCURRING SUCH COSTS AND EXPENSES, WHETHER OR NOT THE CLOSING SHALL HAVE OCCURRED.

Section 14.03 Notices. ALL NOTICES, REQUESTS, CONSENTS, CLAIMS, DEMANDS AND OTHER COMMUNICATIONS UNDER THE TRANSACTION AGREEMENTS SHALL BE IN WRITING AND SHALL BE GIVEN OR MADE (AND SHALL BE DEEMED TO HAVE BEEN DULY GIVEN OR MADE UPON RECEIPT) BY DELIVERY IN PERSON, BY OVERNIGHT COURIER SERVICE, BY E-MAIL WITH RECEIPT CONFIRMED (FOLLOWED BY DELIVERY OF AN ORIGINAL VIA OVERNIGHT COURIER SERVICE) OR BY REGISTERED OR CERTIFIED MAIL (POSTAGE PREPAID, RETURN RECEIPT REQUESTED) TO THE RESPECTIVE PARTIES AT THE FOLLOWING ADDRESSES (OR AT SUCH OTHER ADDRESS FOR A PARTY AS SHALL BE SPECIFIED IN A NOTICE GIVEN IN ACCORDANCE WITH THIS SECTION 14.03):

(a) if to Seller:

United Fire & Casualty Company  
118 Second Avenue SE  
Cedar Rapids, Iowa 52401  
Attention: General Counsel, Neal Scharmer  
E-mail: nscharmer@unitedfiregroup.com

with a copy to:

Sidley Austin LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Attention: Brian J. Fahrney  
Sean M. Carney  
E-mail: bfahrney@sidley.com  
scarney@sidley.com

(b) if to Buyer:

Kuvare Holdings  
55 W. Monroe St., Suite 1930  
Chicago, IL 60603  
Attention: David A. Goldberg  
E-mail: dgoldberg@kuvare.com

with a copy to:

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Attention: David Grosgold  
Nicholas F. Potter  
E-mail: dgrosgold@debevoise.com  
nfpotter@debevoise.com

Section 14.04 Public Announcements. THE PARTIES SHALL COOPERATE TO ISSUE A JOINT PRESS RELEASE WITH RESPECT TO THE EXECUTION OF THIS AGREEMENT PROMPTLY AFTER THE DATE HEREOF, WHICH JOINT PRESS RELEASE SHALL BE REASONABLY AGREED UPON BY SELLER AND BUYER. EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING SENTENCE, NO PARTY TO THIS AGREEMENT OR ANY AFFILIATE OF SUCH PARTY SHALL ISSUE OR CAUSE THE PUBLICATION OF ANY PRESS RELEASE OR PUBLIC ANNOUNCEMENT OR OTHERWISE COMMUNICATE WITH ANY NEWS MEDIA IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTY (WHICH CONSENT SHALL NOT BE

UNREASONABLY WITHHELD, CONDITIONED OR DELAYED), EXCEPT AS MAY BE REQUIRED BY LAW OR APPLICABLE SECURITIES EXCHANGE RULES, IN WHICH CASE THE PARTY REQUIRED TO PUBLISH SUCH PRESS RELEASE OR PUBLIC ANNOUNCEMENT SHALL ALLOW THE OTHER PARTIES A REASONABLE OPPORTUNITY TO COMMENT ON SUCH PRESS RELEASE OR PUBLIC ANNOUNCEMENT IN ADVANCE OF SUCH PUBLICATION. PRIOR TO THE CLOSING, NEITHER OF THE PARTIES TO THIS AGREEMENT, NOR ANY OF THEIR RESPECTIVE AFFILIATES OR REPRESENTATIVES, SHALL MAKE ANY PUBLIC DISCLOSURE CONCERNING PLANS OR INTENTIONS RELATING TO THE CUSTOMERS, AGENTS OR EMPLOYEES OF, OR OTHER PERSONS WITH SIGNIFICANT BUSINESS RELATIONSHIPS WITH, THE COMPANY WITHOUT FIRST OBTAINING THE PRIOR WRITTEN APPROVAL OF THE OTHER PARTY, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD, CONDITIONED OR DELAYED.

Section 14.05 Severability. IF ANY TERM OR OTHER PROVISION OF THIS AGREEMENT IS INVALID, ILLEGAL OR INCAPABLE OF BEING ENFORCED UNDER ANY LAW OR AS A MATTER OF PUBLIC POLICY, ALL OTHER CONDITIONS AND PROVISIONS OF THIS AGREEMENT SHALL NEVERTHELESS REMAIN IN FULL FORCE AND EFFECT SO LONG AS THE ECONOMIC OR LEGAL SUBSTANCE OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IS NOT AFFECTED IN ANY MANNER MATERIALLY ADVERSE TO ANY PARTY. UPON SUCH DETERMINATION THAT ANY TERM OR OTHER PROVISION IS INVALID, ILLEGAL OR INCAPABLE OF BEING ENFORCED, THE PARTIES TO THIS AGREEMENT SHALL NEGOTIATE IN GOOD FAITH TO MODIFY THIS AGREEMENT SO AS TO EFFECT THE ORIGINAL INTENT OF THE PARTIES AS CLOSELY AS POSSIBLE IN A MUTUALLY ACCEPTABLE MANNER IN ORDER THAT THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT BE CONSUMMATED AS ORIGINALLY CONTEMPLATED TO THE GREATEST EXTENT POSSIBLE.

Section 14.06 Entire Agreement. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE TRANSACTION AGREEMENTS, THE TRANSACTION AGREEMENTS CONSTITUTE THE ENTIRE AGREEMENT OF THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER OF THE TRANSACTION AGREEMENTS AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERTAKINGS, BOTH WRITTEN AND ORAL (OTHER THAN THE CONFIDENTIALITY AGREEMENT TO THE EXTENT NOT IN CONFLICT WITH THIS AGREEMENT), BETWEEN OR ON BEHALF OF SELLER AND/OR ITS AFFILIATES, ON THE ONE HAND, AND BUYER AND/OR ITS AFFILIATES, ON THE OTHER HAND, WITH RESPECT TO THE SUBJECT MATTER OF THE TRANSACTION AGREEMENTS.

Section 14.07 Assignment. THIS AGREEMENT SHALL NOT BE ASSIGNED BY ANY PARTY HERETO WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTY HERETO. ANY ATTEMPTED ASSIGNMENT IN VIOLATION OF THIS SECTION 14.07 SHALL BE VOID. THIS AGREEMENT SHALL BE BINDING UPON, SHALL INURE TO THE BENEFIT OF, AND SHALL BE ENFORCEABLE BY THE PARTIES HERETO AND THEIR PERMITTED SUCCESSORS AND ASSIGNS.

Section 14.08 No Third-Party Beneficiaries. EXCEPT AS PROVIDED IN SECTION 8.10 WITH RESPECT TO THE DIRECTORS, OFFICERS AND MANAGERS OF THE COMPANY AND ARTICLE XIII WITH RESPECT TO THE SELLER INDEMNIFIED PARTIES AND BUYER INDEMNIFIED PARTIES, THIS AGREEMENT IS FOR THE SOLE BENEFIT OF THE PARTIES TO THIS AGREEMENT AND THEIR PERMITTED SUCCESSORS AND ASSIGNS AND NOTHING IN THIS AGREEMENT, EXPRESS OR IMPLIED, IS INTENDED TO OR SHALL CONFER UPON ANY OTHER PERSON OR ENTITY ANY LEGAL OR EQUITABLE RIGHT, BENEFIT OR REMEDY OF ANY NATURE WHATSOEVER UNDER OR BY REASON OF THIS AGREEMENT.

Section 14.09 Amendment. NO PROVISION OF THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENT MAY BE AMENDED, SUPPLEMENTED OR MODIFIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY ALL THE PARTIES TO SUCH AGREEMENT.

Section 14.10 Schedules. ANY DISCLOSURE SET FORTH IN THE SELLER DISCLOSURE SCHEDULE WITH RESPECT TO ANY SECTION OF THIS AGREEMENT SHALL BE DEEMED TO BE DISCLOSED FOR PURPOSES OF OTHER SECTIONS OF THIS AGREEMENT TO THE EXTENT THAT SUCH DISCLOSURE SETS FORTH FACTS IN SUFFICIENT DETAIL SO THAT THE RELEVANCE OF SUCH DISCLOSURE WOULD BE REASONABLY APPARENT TO A READER OF SUCH DISCLOSURE. MATTERS REFLECTED IN ANY SECTION OF THE SELLER DISCLOSURE SCHEDULE ARE NOT NECESSARILY LIMITED TO MATTERS REQUIRED BY THIS AGREEMENT TO BE SO REFLECTED. SUCH ADDITIONAL MATTERS ARE SET FORTH FOR INFORMATIONAL PURPOSES AND DO NOT NECESSARILY INCLUDE OTHER MATTERS OF A SIMILAR NATURE. NO REFERENCE TO OR DISCLOSURE OF ANY ITEM OR OTHER MATTER IN THE SELLER DISCLOSURE SCHEDULE SHALL BE CONSTRUED AS AN ADMISSION OR INDICATION THAT SUCH ITEM OR OTHER MATTER IS MATERIAL OR THAT SUCH ITEM OR OTHER MATTER IS REQUIRED TO BE REFERRED TO OR DISCLOSED IN THIS AGREEMENT. WITHOUT LIMITING THE FOREGOING, NO SUCH REFERENCE TO OR DISCLOSURE OF A POSSIBLE BREACH OR VIOLATION OF ANY CONTRACT, LAW OR GOVERNMENTAL ORDER SHALL BE CONSTRUED AS AN ADMISSION OR INDICATION THAT A BREACH OR VIOLATION EXISTS OR HAS ACTUALLY OCCURRED.

Section 14.11 Submission to Jurisdiction.

(a) Each of Seller and Buyer irrevocably and unconditionally submits for itself and its property in any Action arising out of or relating to the Transaction Agreements, the transactions contemplated by the Transaction Agreements, the formation, breach, termination or validity of the Transaction Agreements or the recognition and enforcement of any judgment in respect of the Transaction Agreement, to the exclusive jurisdiction of the Delaware Court of Chancery in New Castle County and any state appellate court therefrom (or, if the Delaware Court of Chancery declines to accept jurisdiction over any matter, any other Delaware state or federal court), and all claims in respect of any such Action shall be heard and determined in such aforesaid courts.

(b) Any such Action may and shall be brought in such courts and each of Seller and Buyer irrevocably and unconditionally waives any objection that it may now or hereafter have to the venue or jurisdiction of any such Action in any such court or that such Action was brought in an inconvenient court and shall not plead or claim the same.

(c) Service of process in any Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 14.03.

(d) Nothing in this Agreement or any other Transaction Agreement shall affect the right to effect service of process in any other manner permitted by the Laws of the State of Delaware.

Section 14.12 Governing Law. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE.

Section 14.13 Waiver of Jury Trial. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENTS, OR ITS PERFORMANCE UNDER OR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENT.

Section 14.14 Specific Performance. THE PARTIES AGREE THAT IRREPARABLE DAMAGE WOULD OCCUR IN THE EVENT THAT ANY OF THE COVENANTS OR OBLIGATIONS CONTAINED IN THIS AGREEMENT ARE NOT PERFORMED IN ACCORDANCE WITH THEIR SPECIFIC TERMS OR WERE OTHERWISE BREACHED. ACCORDINGLY, EACH OF THE PARTIES HERETO SHALL BE ENTITLED TO INJUNCTIVE OR OTHER EQUITABLE RELIEF TO PREVENT OR CURE ANY BREACH BY THE OTHER PARTY OF ITS COVENANTS OR OBLIGATIONS CONTAINED IN THIS AGREEMENT AND TO SPECIFICALLY ENFORCE SUCH COVENANTS AND OBLIGATIONS IN ANY COURT REFERENCED IN SECTION 14.11(A) HAVING JURISDICTION, SUCH REMEDY BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH ANY PARTY MAY BE ENTITLED AT LAW OR IN EQUITY.

Section 14.15 Waivers. ANY TERM OR PROVISION OF THIS AGREEMENT MAY BE WAIVED, OR THE TIME FOR ITS PERFORMANCE MAY BE EXTENDED, IN WRITING AT ANY TIME BY THE PARTY OR PARTIES ENTITLED TO THE BENEFIT THEREOF. ANY SUCH WAIVER SHALL BE VALIDLY AND SUFFICIENTLY AUTHORIZED FOR THE PURPOSES OF THIS AGREEMENT IF, AS TO ANY PARTY, IT IS AUTHORIZED IN WRITING BY AN AUTHORIZED REPRESENTATIVE OF SUCH PARTY. THE FAILURE OF ANY PARTY HERETO TO ENFORCE AT ANY TIME ANY PROVISION OF THIS AGREEMENT SHALL NOT BE CONSTRUED TO BE A WAIVER OF SUCH PROVISION, NOR IN ANY WAY TO AFFECT THE VALIDITY OF THIS AGREEMENT OR ANY PART HEREOF OR THE RIGHT OF ANY PARTY THEREAFTER TO ENFORCE EACH AND EVERY



SUCH PROVISION. NO WAIVER OF ANY BREACH OF THIS AGREEMENT SHALL BE HELD TO CONSTITUTE A WAIVER OF ANY PRECEDING OR SUBSEQUENT BREACH.

Section 14.16 Rules of Construction. INTERPRETATION OF THIS AGREEMENT AND THE OTHER TRANSACTION AGREEMENTS (EXCEPT AS SPECIFICALLY PROVIDED IN ANY SUCH AGREEMENT, IN WHICH CASE SUCH SPECIFIED RULES OF CONSTRUCTION SHALL GOVERN WITH RESPECT TO SUCH AGREEMENT) SHALL BE GOVERNED BY THE FOLLOWING RULES OF CONSTRUCTION: (A) WORDS IN THE SINGULAR SHALL BE HELD TO INCLUDE THE PLURAL AND VICE VERSA, AND WORDS OF ONE GENDER SHALL BE HELD TO INCLUDE THE OTHER GENDER AS THE CONTEXT REQUIRES; (B) REFERENCES TO ARTICLES, SECTIONS, PARAGRAPHS, EXHIBITS AND SCHEDULES ARE REFERENCES TO THE ARTICLES, SECTIONS, PARAGRAPHS, EXHIBITS AND SCHEDULES TO THIS AGREEMENT UNLESS OTHERWISE SPECIFIED; (C) REFERENCES TO “\$” SHALL MEAN UNITED STATES DOLLARS; (D) THE WORD “*INCLUDING*” AND WORDS OF SIMILAR IMPORT WHEN USED IN THE TRANSACTION AGREEMENTS SHALL MEAN “*INCLUDING WITHOUT LIMITING THE GENERALITY OF THE FOREGOING*,” UNLESS OTHERWISE SPECIFIED; (E) THE WORD “*OR*” SHALL NOT BE EXCLUSIVE; (F) THE TABLE OF CONTENTS, ARTICLES, TITLES AND HEADINGS CONTAINED IN THE TRANSACTION AGREEMENTS ARE FOR REFERENCE PURPOSES ONLY AND SHALL NOT AFFECT IN ANY WAY THE MEANING OR INTERPRETATION OF THE TRANSACTION AGREEMENTS; (G) THE TRANSACTION AGREEMENTS SHALL BE CONSTRUED WITHOUT REGARD TO ANY PRESUMPTION OR RULE REQUIRING CONSTRUCTION OR INTERPRETATION AGAINST THE PARTY DRAFTING OR CAUSING ANY INSTRUMENT TO BE DRAFTED; (H) THE SCHEDULES AND EXHIBITS REFERRED TO HEREIN SHALL BE CONSTRUED WITH AND AS AN INTEGRAL PART OF THIS AGREEMENT TO THE SAME EXTENT AS IF THEY WERE SET FORTH VERBATIM HEREIN; (I) UNLESS THE CONTEXT OTHERWISE REQUIRES, THE WORDS “*HEREOF*,” “*HEREIN*” AND “*HEREUNDER*” AND WORDS OF SIMILAR IMPORT WHEN USED IN THIS AGREEMENT SHALL REFER TO THIS AGREEMENT AS A WHOLE AND NOT TO ANY PARTICULAR PROVISION OF THIS AGREEMENT; (J) ALL TERMS DEFINED IN THIS AGREEMENT SHALL HAVE THE DEFINED MEANINGS WHEN USED IN ANY CERTIFICATE OR OTHER DOCUMENT MADE OR DELIVERED PURSUANT HERETO UNLESS OTHERWISE DEFINED THEREIN; AND (K) ANY STATUTE OR REGULATION REFERRED TO HEREIN MEANS SUCH STATUTE OR REGULATION AS AMENDED, MODIFIED, SUPPLEMENTED OR REPLACED FROM TIME TO TIME (AND, IN THE CASE OF ANY STATUTE, INCLUDES ANY RULES AND REGULATIONS PROMULGATED UNDER SUCH STATUTE), AND REFERENCES TO ANY SECTION OF ANY STATUTE OR REGULATION INCLUDE ANY SUCCESSOR TO SUCH SECTION.

Section 14.17 Counterparts. THIS AGREEMENT AND EACH OF THE OTHER TRANSACTION AGREEMENTS MAY BE EXECUTED IN TWO (2) OR MORE COUNTERPARTS, AND BY THE DIFFERENT PARTIES TO EACH SUCH AGREEMENT IN SEPARATE COUNTERPARTS, EACH OF WHICH WHEN EXECUTED SHALL BE DEEMED TO BE AN ORIGINAL BUT ALL OF WHICH TAKEN TOGETHER SHALL CONSTITUTE ONE

AND THE SAME AGREEMENT. DELIVERY OF AN EXECUTED COUNTERPART OF A SIGNATURE PAGE TO ANY TRANSACTION AGREEMENT BY FACSIMILE OR E-MAIL SHALL BE AS EFFECTIVE AS DELIVERY OF A MANUALLY EXECUTED COUNTERPART OF ANY SUCH AGREEMENT.

Section 14.18 Guarantee. UFG FULLY, IRREVOCABLY AND UNCONDITIONALLY GUARANTEES TO BUYER THE FULL, COMPLETE AND TIMELY COMPLIANCE WITH AND PERFORMANCE OF ALL AGREEMENTS, COVENANTS AND OBLIGATIONS OF SELLER FROM TIME TO TIME UNDER THIS AGREEMENT (THE “OBLIGATIONS” AND, COLLECTIVELY, THE “GUARANTY”). THE OBLIGATIONS SHALL INCLUDE SELLER’S OBLIGATION TO SATISFY ALL PAYMENT OBLIGATIONS OF SELLER ARISING IN CONNECTION WITH THIS AGREEMENT, IN EACH CASE, WHEN AND TO THE EXTENT THAT, ANY OF THE SAME SHALL BECOME DUE AND PAYABLE OR PERFORMANCE OF OR COMPLIANCE WITH ANY OF THE SAME SHALL BE REQUIRED. UFG HEREBY ACKNOWLEDGES AND AGREES THAT THE GUARANTY CONSTITUTES AN ABSOLUTE, PRESENT, PRIMARY, CONTINUING AND UNCONDITIONAL GUARANTY OF PERFORMANCE, COMPLIANCE AND PAYMENT BY SELLER OF THE OBLIGATIONS WHEN DUE UNDER THIS AGREEMENT AND NOT OF COLLECTION ONLY AND IS IN NO WAY CONDITIONED OR CONTINGENT UPON ANY ATTEMPT TO ENFORCE SUCH PERFORMANCE, COMPLIANCE OR PAYMENT BY A GUARANTEED PARTY UPON ANY OTHER CONDITION OR CONTINGENCY. UFG HEREBY WAIVES ANY RIGHT TO REQUIRE A PROCEEDING FIRST AGAINST SELLER. THE OBLIGATIONS SHALL NOT BE SUBJECT TO ANY REDUCTION, LIMITATION, IMPAIRMENT OR TERMINATION FOR ANY REASON (OTHER THAN BY INDEFEASIBLE PAYMENT OR PERFORMANCE IN FULL OF THE OBLIGATIONS) AND SHALL NOT BE SUBJECT TO (I) ANY DISCHARGE OF SELLER FROM ANY OF THE OBLIGATIONS IN A BANKRUPTCY OR SIMILAR PROCEEDING (EXCEPT BY INDEFEASIBLE PAYMENT OR PERFORMANCE IN FULL OF THE OBLIGATIONS) OR (II) ANY OTHER CIRCUMSTANCE WHATSOEVER WHICH CONSTITUTES, OR MIGHT BE CONSTRUED TO CONSTITUTE AN EQUITABLE OR LEGAL DISCHARGE OF UFG AS GUARANTOR UNDER THIS SECTION 14.18.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

**UNITED FIRE & CASUALTY COMPANY**

By /s/ Randy A. Ramlo

Name: Randy A. Ramlo

Title: President and Chief Executive Officer

**KUVARE US HOLDINGS, INC.**

By /s/ Dhiren Jhaveri

Name: Dhiren Jhaveri

Title: CEO

**UNITED FIRE GROUP, INC.**

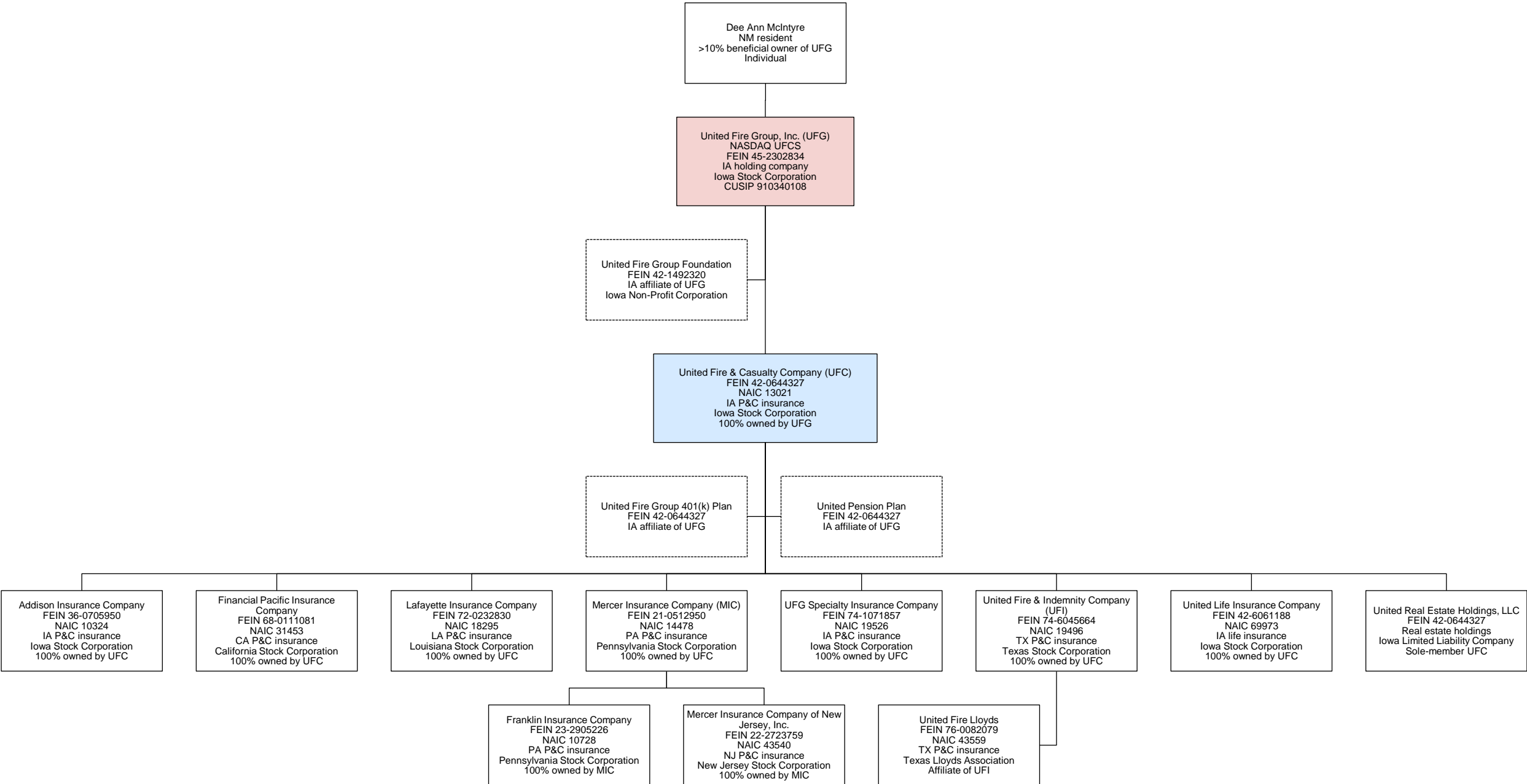
(solely for purposes of Section 14.18)

By /s/ Randy A. Ramlo

Name: Randy A. Ramlo

Title: President and Chief Executive Officer

**United Life Insurance Company  
Organizational Chart**



Dee Ann McIntyre  
NM resident  
>10% beneficial owner of UFG  
Individual

United Fire Group, Inc. (UFG)  
NASDAQ UFCS  
FEIN 45-2302834  
IA holding company  
Iowa Stock Corporation  
CUSIP 910340108

United Fire Group Foundation  
FEIN 42-1492320  
IA affiliate of UFG  
Iowa Non-Profit Corporation

United Fire & Casualty Company (UFC)  
FEIN 42-0644327  
NAIC 13021  
IA P&C insurance  
Iowa Stock Corporation  
100% owned by UFG

United Fire Group 401(k) Plan  
FEIN 42-0644327  
IA affiliate of UFG

United Pension Plan  
FEIN 42-0644327  
IA affiliate of UFG

Addison Insurance Company  
FEIN 36-0705950  
NAIC 10324  
IA P&C insurance  
Iowa Stock Corporation  
100% owned by UFC

Financial Pacific Insurance Company  
FEIN 68-0111081  
NAIC 31453  
CA P&C insurance  
California Stock Corporation  
100% owned by UFC

Lafayette Insurance Company  
FEIN 72-0232830  
NAIC 18295  
LA P&C insurance  
Louisiana Stock Corporation  
100% owned by UFC

Mercer Insurance Company (MIC)  
FEIN 21-0512950  
NAIC 14478  
PA P&C insurance  
Pennsylvania Stock Corporation  
100% owned by UFC

UFG Specialty Insurance Company  
FEIN 74-1071857  
NAIC 19526  
IA P&C insurance  
Iowa Stock Corporation  
100% owned by UFC

United Fire & Indemnity Company (UFI)  
FEIN 74-6045664  
NAIC 19496  
TX P&C insurance  
Texas Stock Corporation  
100% owned by UFC

United Life Insurance Company  
FEIN 42-6061188  
NAIC 69973  
IA life insurance  
Iowa Stock Corporation  
100% owned by UFC

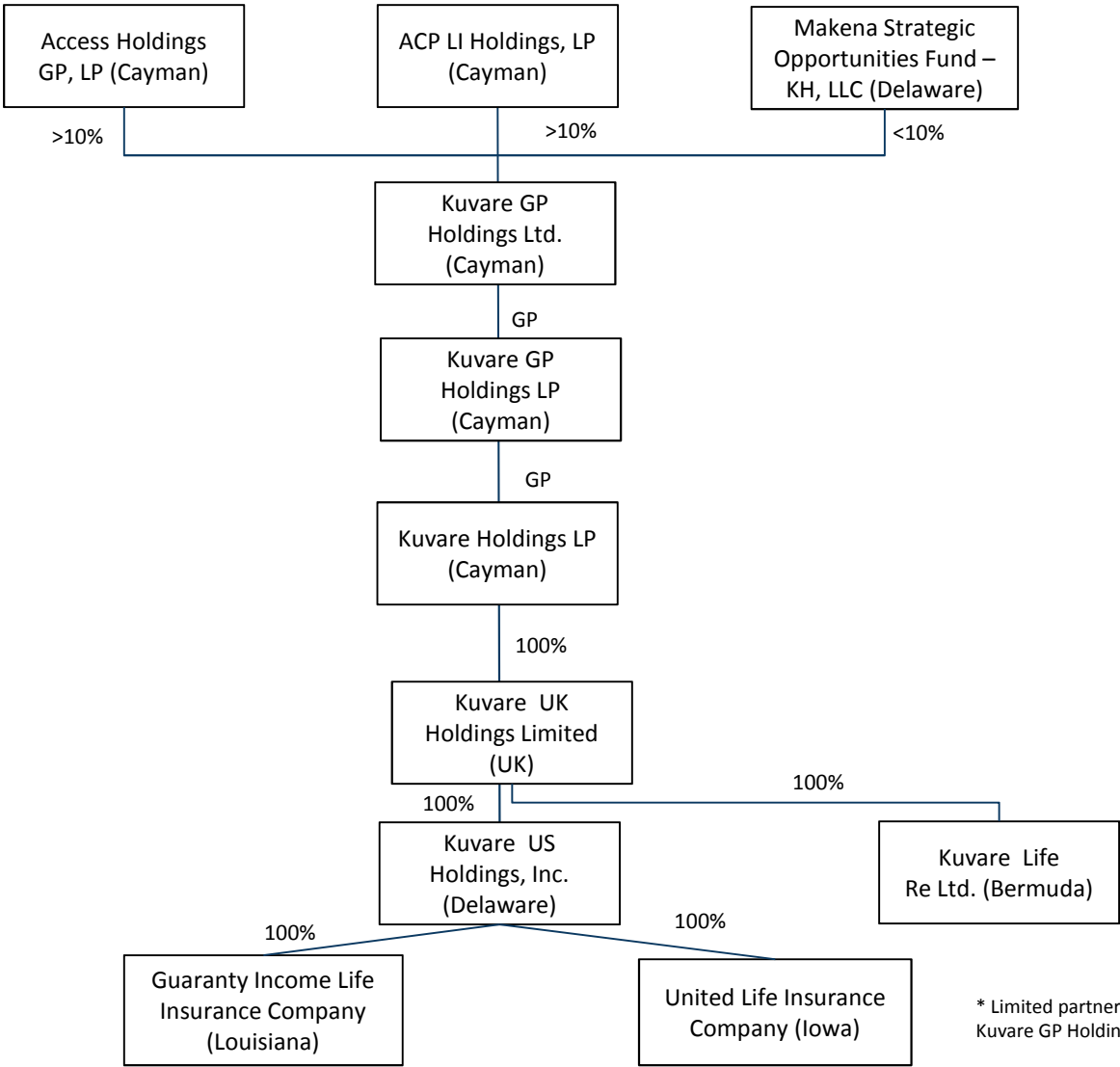
United Real Estate Holdings, LLC  
FEIN 42-0644327  
Real estate holdings  
Iowa Limited Liability Company  
Sole-member UFC

Franklin Insurance Company  
FEIN 23-2905226  
NAIC 10728  
PA P&C insurance  
Pennsylvania Stock Corporation  
100% owned by MIC

Mercer Insurance Company of New Jersey, Inc.  
FEIN 22-2723759  
NAIC 43540  
NJ P&C insurance  
New Jersey Stock Corporation  
100% owned by MIC

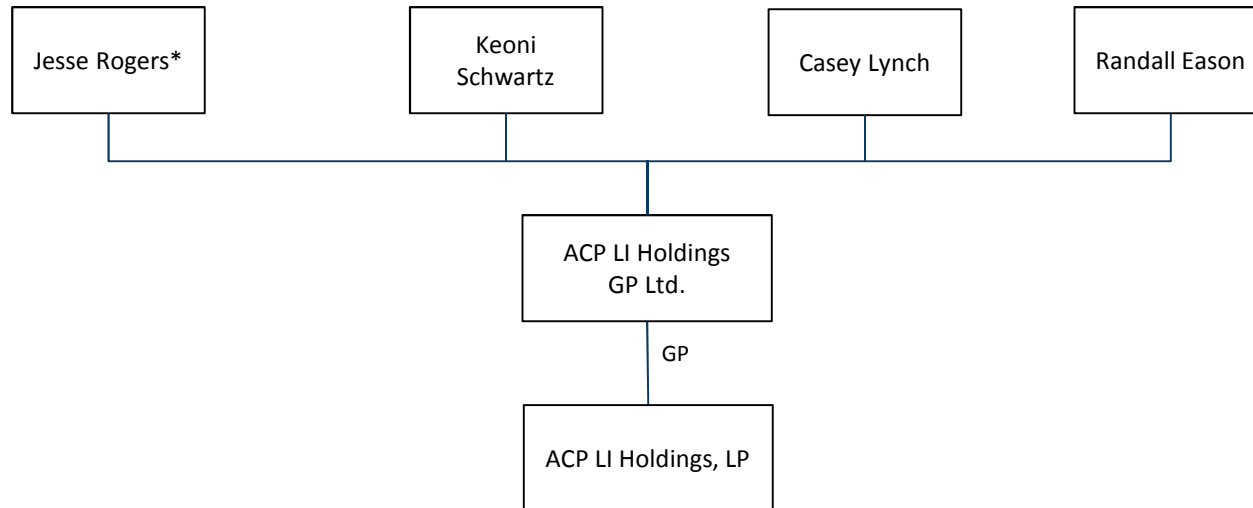
United Fire Lloyds  
FEIN 76-0082079  
NAIC 43559  
TX P&C insurance  
Texas Lloyds Association  
Affiliate of UFI

# Simplified Kuvare Organizational Chart\*



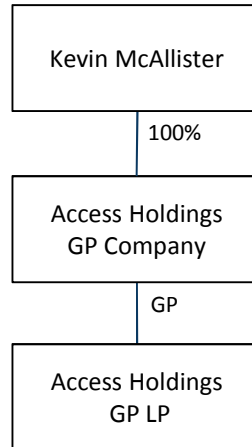
\* Limited partners of Kuvare Holdings LP and Kuvare GP Holdings LP not included

# Simplified Altamont Organizational Chart



\* Pursuant to separate contractual arrangements, Mr. Jesse Rogers has the right to veto any and all investment decisions made by ACP LI Holdings GP Ltd.

# Simplified Access Organizational Chart



**Exhibit C-1: Directors and Officers of the Applicants**

**1. Kuvare GP Holdings Ltd.**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
Dhiren Jhaveri	Director & CEO	55 West Monroe Street Suite 1930 Chicago, IL 60603
Kevin McAllister	Director	2 E. Read Street Baltimore, MD 21202
Jesse Rogers	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
Keoni Schwartz	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
David Burke	Director	2755 Sand Hill Road Menlo Park, CA 94025
Eric Becker	Director	401 W Superior Street Chicago, IL 60654
Carlos Sierra	Officer	55 West Monroe Street Suite 1930 Chicago, IL 60603
David A. Goldberg	Officer	55 West Monroe Street Suite 1930 Chicago, IL 60603
Brad Rosenblatt	Officer	55 West Monroe Street Suite 1930 Chicago, IL 60603

**2. Kuvare GP Holdings LP**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
Dhiren Jhaveri	CEO	55 West Monroe Street Suite 1930 Chicago, IL 60603



### 3. Kuvare Holdings LP

<u>Name</u>	<u>Position Held</u>	<u>Business Address</u>
N/A	N/A	N/A

### 4. Kuvare UK Holdings Limited

<u>Name</u>	<u>Position Held</u>	<u>Business Address</u>
Dhiren Jhaveri	Director & CEO	55 West Monroe Street Suite 1930 Chicago, IL 60603
Carlos Sierra	COO	55 West Monroe Street Suite 1930 Chicago, IL 60603
David A. Goldberg	General Counsel	55 West Monroe Street Suite 1930 Chicago, IL 60603
Brad Rosenblatt	President & Chief Revenue Officer	55 West Monroe Street Suite 1930 Chicago, IL 60603

### 5. Kuvare US Holdings, Inc.

<u>Name</u>	<u>Position Held</u>	<u>Business Address</u>
Dhiren Jhaveri	Director & CEO	55 West Monroe Street Suite 1930 Chicago, IL 60603
Kevin McAllister	Director	2 E. Read Street Baltimore, MD 21202
Jesse Rogers	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
Keoni Schwartz	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
David Burke	Director	2755 Sand Hill Road Menlo Park, CA 94025
Eric Becker	Director	401 W Superior Street

		Chicago, IL 60654
Carlos Sierra	COO	55 West Monroe Street Suite 1930 Chicago, IL 60603
David A. Goldberg	General Counsel	55 West Monroe Street Suite 1930 Chicago, IL 60603
Brad Rosenblatt	President & Chief Revenue Officer	55 West Monroe Street Suite 1930 Chicago, IL 60603
Erik Braun	Treasurer	55 West Monroe Street Suite 1930 Chicago, IL 60603

**Exhibit C-2: Expected New Directors and Officers of the Domestic Insurer**

<u>Name</u>	<u>Position Held</u>	<u>Business Address</u>
Dhiren Jhaveri	Executive Chairman	55West Monroe Street Suite 1930 Chicago, IL 60603
Carlos Sierra	Director & COO	55West Monroe Street Suite 1930 Chicago, IL 60603
Brad Rosenblatt	Director	55West Monroe Street Suite 1930 Chicago, IL 60603
Jesse Rogers	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
Kevin McAllister	Director	2 E. Read Street Baltimore, MD 21202
Keoni Schwartz	Director	400 Hamilton Avenue Suite 230 Palo Alto, CA 94301
David Burke	Director	55West Monroe Street Suite 1930 Chicago, IL 60603
Eric Becker	Director	55West Monroe Street Suite 1930 Chicago, IL 60603

**Exhibit C-3: Directors and Officers of the Access Applicants**

**1. Access Holdings GP LP:**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
Access Holdings GP LP has no directors or officers.		

**2. Access Holdings GP Management Company:**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
Kevin McAllister	Director	2 East Read Street, Suite 300 Baltimore, Maryland 21202
Access Holdings GP Management Company has no officers.		

**3. Mr. Kevin McAllister:**

N/A

**Exhibit C-4: Directors and Officers of the Altamont Applicants**

**1. ACP LI Holdings LP:**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
ACP LI Holdings LP has no directors or officers.		

**2. ACP LI Holdings GP Ltd.:**

<b><u>Name</u></b>	<b><u>Position Held</u></b>	<b><u>Business Address</u></b>
Jesse Rogers	Director	400 Hamilton Ave., Suite 230 Palo Alto, CA 94301
Keoni Schwartz	Director	400 Hamilton Ave., Suite 230 Palo Alto, CA 94301
Casey Lynch	Director	400 Hamilton Ave., Suite 230 Palo Alto, CA 94301
Randall Eason	Director	400 Hamilton Ave., Suite 230 Palo Alto, CA 94301
ACP LI Holdings GP Ltd. has no officers.		

**3. Mr. Jesse Rogers:**

N/A

September 18, 2017

CONFIDENTIAL

TO: Kuvare US Holdings, Inc.

Re: Equity Financing Commitment

Ladies and Gentlemen:

Reference is made to the Stock Purchase Agreement attached hereto as Annex A (the "Purchase Agreement"), dated as of the date hereof, by and among United Fire & Casualty Company, an Iowa corporation ("Seller"), Kuvare US Holdings, Inc., a Delaware corporation ("Buyer") and United Fire Group, Inc. (solely for the purposes of Section 14.18 thereof), pursuant to which Buyer intends to acquire all of the common stock of United Life Insurance Company, an insurance company organized under the laws of the State of Iowa (the "Acquisition"). Capitalized terms used herein without definition shall have the meanings given to them in the Purchase Agreement. The parties hereto, for good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, including the entry by Buyer into the Purchase Agreement and the representations, warranties, covenants and agreements contained in this letter agreement (this "Letter Agreement"), hereby agree as set forth below.

This Letter Agreement shall become effective only upon execution and delivery of the Purchase Agreement by Buyer and Seller.

Sponsor hereby commits to purchase or to cause an Affiliate to purchase on the Closing Date common stock of Buyer for an aggregate purchase price of up to (or otherwise contribute or cause to be contributed to Buyer up to) \$280,000,000 (the "Commitment"), solely for the purpose of allowing Buyer to fund the Purchase Price in accordance with the Purchase Agreement. In the event Buyer does not require all of the equity with respect to which Sponsor has made this Commitment in order to consummate the Acquisition, the Commitment shall be reduced at the Closing if, and then only to the extent that, an amount that is less than the Commitment is required for Buyer, when taken together with other funds obtained by Buyer, to fund the Purchase Price in accordance with the Purchase Agreement.

In furtherance of the foregoing, and subject to the terms hereof, Sponsor hereby agrees:

(a) to call for capital contributions from its limited partners ("Investors") in an aggregate amount that, together with other funds available to Sponsor at Closing, is equal

to the Commitment (the “Required Amount”); and in connection therewith agrees as follows:

- (i) the General Partner shall provide each Investor with written notice (the “Drawdown Notice”) setting forth all required information prior to the date reasonably expected to be the Closing Date under the Purchase Agreement;
  - (ii) the Drawdown Notice shall specify that the capital contribution contemplated thereunder will be used by Sponsor solely for the purpose of allowing Buyer to fund the Purchase Price in accordance with the Purchase Agreement;
  - (iii) not to use the proceeds of the capital contribution contemplated by the Drawdown Notice for any purpose other than as contemplated in clause (ii) above;
  - (iv) prior to the Closing Date under the Purchase Agreement, Sponsor shall not call for any capital contribution from Investors to the extent that, after giving effect to such a capital contribution, the Investors’ aggregate unfunded capital commitment to Sponsor would be in an amount that is less than the Required Amount;
  - (v) unless Sponsor has otherwise received capital contributions in an aggregate amount of not less than the Required Amount, Sponsor shall designate any Investor who fails to make, in a timely manner, all or a portion of its capital contribution, as a defaulting limited partner; and
  - (vi) with respect to any defaulted amount, the Sponsor shall exercise all of its rights against such limited partner, including by (1) borrowing the due and unpaid amount for or on behalf of the defaulting limited partner, (2) increasing the capital contributions of other Investors to the extent permitted to do so, (3) using its reasonable best efforts to admit a substitute Investor to assume the defaulted capital commitment, (4) offering to other Investors the opportunity to increase their remaining capital commitment so that they can make capital contributions in an amount equal to the defaulted capital commitments, and (5) pursuing all other remedies at law or equity available to it with respect to the applicable default of a defaulted Investor; and
- (b) that, except as otherwise provided herein, it shall not (i) agree to any reduction in the aggregate amount of the Investors’ unfunded capital commitments outstanding as of the date hereof or (ii) agree to new or additional conditions, or otherwise expand the conditions, to the funding of the Investors’ capital commitments in a manner that would reasonably be expected to delay in any material respect or prevent the Closing under the Purchase Agreement in accordance with the terms thereof or make the timely funding of the Required Amount in accordance with the terms of this Letter Agreement less likely to occur.

Sponsor's obligation to fund the Commitment under this Letter Agreement is subject only to (i) the execution and delivery of the Purchase Agreement by Seller and Buyer, (ii) the satisfaction or waiver by Buyer of the conditions set forth in Section 11.02 of the Purchase Agreement (other than those conditions that (a) by their nature, are to be satisfied at the Closing, but subject to satisfaction or waiver thereof at the Closing or (b) have not been satisfied as a direct result of the Buyer's breach of the Purchase Agreement) and (iii) either the substantially concurrent consummation of the Closing in accordance with the terms of the Purchase Agreement or the obtaining by Seller of an order requiring Buyer to specifically perform its obligations to consummate the Closing under the Purchase Agreement, but subject to the simultaneous consummation of the Closing under the Purchase Agreement (the "Funding Conditions"). Sponsor shall not, under any circumstances, be obligated to contribute to Buyer more than the Commitment. In the event that Buyer does not require all of the equity with respect to which Sponsor has made the Commitment to consummate the Closing, the Commitment shall be reduced accordingly.

This Letter Agreement and Sponsor's obligations hereunder, including, without limitation, Sponsor's obligation to fund the Commitment, shall terminate upon the earlier of (a) the termination of the Purchase Agreement in accordance with its terms, (b) the consummation of the Closing under the Purchase Agreement and (c) the date that Seller or any of their Affiliates asserts in any litigation or other legal proceeding any claim against Sponsor or any General Partner Affiliate (other than the Buyer) relating to this Letter Agreement, the Purchase Agreement or any of the transactions contemplated hereby or thereby (other than any claim relating to a breach or seeking to prevent a breach of the Confidentiality Agreement or any claim seeking specific performance of Sponsor's obligation to contribute equity and fund the Commitment in accordance with the terms hereof and Section 14.14 of the Purchase Agreement). Upon any such termination of this Letter Agreement, any obligations hereunder will terminate and none of the parties hereto shall have any liability whatsoever to any other party.

Sponsor's obligation to fund the Commitment may not be assigned, except as permitted in this paragraph. Sponsor may assign all or a portion of its obligations to fund the Commitment to Affiliates or affiliated funds or to entities governed by an Affiliate or an affiliated fund, provided, however, that any such assignment shall not relieve Sponsor of its obligations under this Letter Agreement.

This Letter Agreement shall inure to the benefit of and be binding upon Sponsor and Buyer. Seller is hereby made an express third party beneficiary of this Letter Agreement and is entitled to enforce the obligations of Sponsor hereunder; provided, however, that Seller shall not be entitled to any money damages from any General Partner Affiliate with respect to any breach of this Letter Agreement and Seller's direct rights and remedies hereunder shall be limited to equitable remedies (other than any equitable remedies requiring any monetary compensation); provided, further, that Seller's right to cause Sponsor to call for a capital contribution or to cause Sponsor to fund the Commitment shall be subject to the satisfaction of the Funding Conditions. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Letter Agreement were not performed in accordance with its specific terms or



were otherwise breached. It is accordingly agreed that, without the necessity of posting bond or any other security or undertaking, each of the parties hereto and Seller (as a third party beneficiary of this Letter Agreement) shall be entitled to an injunction or injunctions to prevent breaches of this Letter Agreement and to enforce specifically the terms and provisions hereof. Notwithstanding anything to the contrary contained in this Letter Agreement, the Purchase Agreement or any other document or agreement, in the event that any Action is brought in equity to enforce the provisions of this Letter Agreement, no party hereto shall allege, and each party hereto hereby waives, any defense or counterclaim that there is an adequate remedy at law.

Notwithstanding anything that may be expressed or implied in this Letter Agreement or any document or instrument delivered in connection herewith, each party hereto, by its acceptance of the benefits hereof, covenants, agrees and acknowledges that no Person other than Sponsor has obligations hereunder and that, notwithstanding that Sponsor is a partnership, no Person (including Seller) has any remedy, recourse or right of recovery against, or contribution from any General Partner Affiliate through Sponsor, Buyer or otherwise, whether by or through attempted piercing of the corporate veil or similar action, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute, regulation or applicable law, by or through a claim by or on behalf of Sponsor or Buyer against Sponsor or any General Partner Affiliate, or otherwise, except for the Buyer's and Seller's rights against Sponsor under this Letter Agreement and Seller's rights against Buyer under the Purchase Agreement. For purposes of this Letter Agreement, the term "General Partner Affiliate" means (i) Sponsor, (ii) the general partner of Sponsor, (iii) any former, current or future general or limited partner (including, without limitation, the Investors), stockholder, holder of any equity, partnership or limited liability company interest, officer, member, manager, director, employee, agent, controlling person, assignee or Affiliate of Sponsor, the general partner of Sponsor, or any Affiliate of the general partner of Sponsor, (iv) Buyer, or (v) any former, current or future general or limited partner, stockholder, holder of any equity, partnership or limited liability company interest, officer, member, manager, director, employee, agent, attorney, controlling person, assignee or Affiliate of any of the foregoing.

Seller's remedies against Sponsor pursuant to and in connection with this Letter Agreement shall, and are intended to be, the sole and exclusive direct or indirect remedies available to Seller and its Affiliates against Sponsor and any General Partner Affiliate (in each case, other than Buyer) in respect of any liabilities or obligations arising under, or in connection with, this Letter Agreement, the Purchase Agreement and the transactions contemplated thereby, including in the event Buyer breaches its obligations under the Purchase Agreement, whether or not Buyer's breach is caused by Sponsor's or the General Partner's breach of its respective obligations under this Letter Agreement. None of Seller, its Affiliates or any creditor of the Seller or its Affiliates shall have the right to (x) enforce this Letter Agreement or (y) to cause Buyer to enforce this Letter Agreement, except as provided herein.

Sponsor hereby represents and warrants that (a) Sponsor has all organizational power and authority to execute, deliver and perform this Letter Agreement, (b) the

execution, delivery and performance of this Letter Agreement by Sponsor has been duly and validly authorized and approved by all necessary limited partnership action by Sponsor, (c) this Letter Agreement has been duly and validly executed and delivered by Sponsor and constitutes a valid and legally binding obligation of Sponsor, (d) the execution, delivery and performance of this Letter Agreement by Sponsor does not and will not conflict with, violate the terms of or result in the acceleration of any obligation under (i) any material contract, commitment or other material instrument to which Sponsor is a party or is bound, or (ii) the certificate of limited partnership or limited partnership agreement of Sponsor and (e) Sponsor has uncalled capital commitments from Investors that, together with other capital resources available to Sponsor and Buyer, are at least equal to the Commitment.

All notices, requests, claims, demands and other communications under this Letter Agreement shall be in writing and shall be delivered personally or by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Sponsor:

Kuvare Holdings  
PO Box 309, Uglan House George Town  
Grand Cayman KY1-1104, Cayman Islands  
Attention: David A. Goldberg

(b) if to Buyer:

Kuvare Holdings  
55 W. Monroe St., Suite 1930  
Chicago, IL 60603  
Attention: David A. Goldberg

Notice given by personal delivery or overnight courier shall be effective upon actual receipt.

This Letter Agreement shall in all respects be governed by, and construed in accordance with, the Laws of the State of Delaware. Each of party hereto irrevocably and unconditionally submits for itself and its property in any Action arising out of or relating to this Letter Agreement, the transactions contemplated by this Letter Agreement, the formation, breach, termination or validity of this Letter Agreement or the recognition and enforcement of any judgment in respect of this Letter Agreement, to the exclusive jurisdiction of the Delaware Court of Chancery in New Castle County and any state appellate court therefrom (or, if the Delaware Court of Chancery declines to accept jurisdiction over any matter, any other Delaware state or federal court), and all claims in respect of any such Action shall be heard and determined in such aforesaid courts. Any such Action may and shall be brought in such courts and each party hereto irrevocably and unconditionally waives any objection that it may now or hereafter have to the venue or jurisdiction of any such Action in any such court or that such Action was brought in an

inconvenient court and shall not plead or claim the same. Service of process in any Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided above. Nothing in this Letter Agreement shall affect the right to effect service of process in any other manner permitted by the Laws of the State of Delaware.

EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS LETTER AGREEMENT, OR ITS PERFORMANCE UNDER OR THE ENFORCEMENT OF THIS LETTER AGREEMENT.


If any provision of this Letter Agreement or the application of any such provision to any Person or circumstance shall be declared by any court of competent jurisdiction to be invalid, illegal, void or unenforceable in any respect, all other provisions of this Letter Agreement, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid, illegal, void or unenforceable, shall nevertheless remain in full force and effect and will in no way be affected, impaired or invalidated thereby. Upon such determination that any provision, or the application of any such provision, is invalid, illegal, void or unenforceable, the parties shall negotiate in good faith to modify this Letter Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

This Letter Agreement, together with the Purchase Agreement and the other Transaction Agreements, constitute the sole agreement, and supersede all prior agreements, understandings and statements, written or oral, between Sponsor and Buyer, or any of their respective Affiliates and any other Person with respect to the subject matter hereof. The terms of this Letter Agreement may not be modified or otherwise amended, or waived, except pursuant to a written agreement signed by the parties hereto and approved in writing by Seller. This Letter Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

*[Rest of Page Left Intentionally Blank]*


Very truly yours,

Kuvare Holdings LP acting by its  
general partner, Kuvare GP Holdings LP.

By:   
Name: Dhiren Thaveri  
Title: CEO

Acknowledged and agreed as of  
the date first above written:

Kuvare US Holdings, Inc.

By:   
Name: Dhiren Thaveri  
Title: CEO

**Purchase Agreement**

**Annex A**

Please see Exhibit A to the Form A Application.

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**TRANSITION SERVICES AGREEMENT**

**by and between**

**UNITED FIRE & CASUALTY COMPANY,**

**and**

**KUVARE US HOLDINGS, INC.**

**Effective Date: [\_\_\_\_\_], 2017**

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## TRANSITION SERVICES AGREEMENT

This **TRANSITION SERVICES AGREEMENT** (this “Agreement”), is made and entered into as of \_\_\_\_\_, 2017 (the “Effective Date”) by and between **United Fire & Casualty Company**, an Iowa corporation (the “Provider”) and **Kuvare US Holdings, Inc.**, a Delaware corporation (the “Buyer”). Provider and Buyer are each a “Party” and collectively, the “Parties.”

**WHEREAS**, Provider, Buyer and, solely for the purposes of Section 14.18 thereto, United Fire Group, Inc. have entered into that certain Stock Purchase Agreement, dated as of September \_\_, 2017 (the “Stock Purchase Agreement”), pursuant to which Buyer has agreed to purchase from the Provider all of the issued and outstanding capital stock of United Life Insurance Company, an Iowa corporation (the “Company”); and

**WHEREAS**, the execution and delivery of this Agreement is to be completed by the Parties in connection with the consummation of the transactions contemplated by the Stock Purchase Agreement; and

**WHEREAS**, in order to provide for an orderly transition in the conduct of the Business (as defined below) by Buyer after the consummation of the transactions contemplated by the Stock Purchase Agreement, the Provider will, for an interim period after the Closing and subject to the terms and conditions set forth herein, provide or cause to be provided certain services to and on behalf of Buyer and its Affiliates.

**NOW, THEREFORE**, in consideration of the mutual promises and undertakings contained herein and in the Stock Purchase Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Provider and Buyer agree as follows:

### **ARTICLE I** **DEFINITIONS; INTERPRETATION**

Section 1.1 **Definitions.** Any capitalized term used but not defined herein shall have the meaning set forth in the Stock Purchase Agreement. The following terms shall have the respective meanings set forth below throughout this Agreement:

“Accounts Date” means March 31, 2017.

“Business” means the business conducted by the Company as of the Accounts Date, including issuing, underwriting, selling, marketing and administering (i) income and deferred annuity contracts, (ii) individual life insurance policies and (iii) disability insurance contracts.

“Project Manager” means each of the two (2) individuals, one designated by the Provider and the other designated by Buyer, who are primarily responsible for administering this Agreement as described in Section 3.4.

“Special Project” means any service that Buyer requests the Provider to provide that the Provider has agreed in writing to provide in accordance with Section 2.3, which service does not fall within the scope of the Services.

Section 1.2 **Other Definitions**. In addition, the following capitalized terms are defined in the Sections or other provisions of this Agreement set forth below:

“ <u>Agreement</u> ” .....	Preamble
“ <u>Buyer</u> ” .....	Preamble
“ <u>Buyer Indemnified Parties</u> ” .....	Section 6.1
“ <u>Confidential Information</u> ” .....	Section 8.10
“ <u>Effective Date</u> ” .....	Preamble
“ <u>Fees</u> ” .....	Section 4.1(b)
“ <u>Force Majeure</u> ” .....	Section 8.12
“ <u>Invoice</u> ” .....	Section 4.3
“ <u>Level One Negotiations</u> ” .....	Section 7.1
“ <u>Level Two Negotiations</u> ” .....	Section 7.1
“ <u>Migration Plan</u> ” .....	Section 3.5
“ <u>Parties</u> ” or “ <u>Party</u> ” .....	Preamble
“ <u>Provider</u> ” .....	Preamble
“ <u>Provider Indemnified Parties</u> ” .....	Section 6.2
“ <u>Provider Property</u> ” .....	Section 2.9(a)
“ <u>Service Fees</u> ” .....	Section 4.1(a)
“ <u>Service Period</u> ” .....	Section 5.1
“ <u>Services</u> ” .....	Section 2.1
“ <u>Special Project Fees</u> ” .....	Section 4.1(b)
“ <u>Stock Purchase Agreement</u> ” .....	Recitals
“ <u>Subcontractor</u> ” .....	Section 2.5
“ <u>Third-Party Consent</u> ” .....	Section 2.6

Section 1.3 **Interpretation**. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to Articles, Sections, paragraphs and Schedules are references to the Articles, Sections, paragraphs and Schedules to this Agreement unless otherwise specified; (c) references to “\$” shall mean United States dollars; (d) the word “including” and words of similar import when used in this Agreement shall mean “including without limiting the generality of the foregoing,” unless otherwise specified; (e) the word “or” shall not be exclusive; (f) the table of contents, articles, titles and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (g) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted; (h) the Schedules referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein; (i) unless the context otherwise requires, the words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not

to any particular provision of this Agreement; (j) all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein; and (k) any statute or regulation referred to herein means such statute or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of any statute, includes any rules and regulations promulgated under such statute), and references to any section of any statute or regulation include any successor to such section.

## **ARTICLE II** **TRANSITION SERVICES**

Section 2.1 **Services**. For the term of this Agreement, the Provider shall perform (or cause to be performed) in accordance with the terms hereof for and on behalf of Buyer and its Affiliates (to the extent in connection with the Business), the services set forth in Schedule 2.1 and any additional services requested by Buyer and required to be provided in accordance with Section 2.2 (collectively, the “Services”). The Provider hereby accepts such appointment and shall perform such Services in accordance with the terms set forth herein.

Section 2.2 **Requests for Additional Services**. In the event that, after the Effective Date, Buyer desires that additional services be provided hereunder, and (a) (i) such services were provided by the Provider to the Business, either directly or through an Affiliate or Subcontractor, at any time during the twelve (12) months immediately preceding the Effective Date and (ii) such services are reasonably necessary to conduct the Business as it was conducted as of the Closing, or (b) such services are reasonably necessary to appropriately transfer the Business to Buyer or pursuant to the Migration Plan, Buyer may submit a written request describing such services to the Provider’s Project Manager, and the Project Managers of each of Buyer and the Provider shall meet to discuss such request. Buyer and the Provider shall use reasonable best efforts to mutually agree on reasonable terms for such additional services; provided, however, that if the Parties cannot agree on such terms, the additional services shall be provided on terms and conditions as were applicable prior to the Closing and the price for such additional services shall be set at the Provider’s historical cost when providing such Services or similar services. Any additional services to be provided hereunder and the associated service fees shall be documented in writing by the Parties as an amendment to Schedule 2.1, and such services shall be included in the Services, provided, that the Provider shall not be obligated to provide any additional services pursuant to this Section 2.2 beyond the second anniversary of the Effective Date. Notwithstanding the foregoing, the Provider shall not be obligated to provide the Services set forth in Schedule 2.2.

Section 2.3 **Special Projects**. If Buyer requests that the Provider provide a Special Project, which request must include a description of the services required to be performed in conjunction with such Special Project, the Provider shall, within ten (10) Business Days after the date of receipt of such request, provide Buyer with either (a) a written proposal for such Special Project, giving reasonable priority to other demands on the Provider’s resources under this Agreement and otherwise, or (b) notice of its decision not to accept such Special Project, in which case the Provider will have no further obligation under this Agreement with respect to such Special Project. If the Parties agree in writing on such proposal for a Special Project, including the fees for any Special Project, within fifteen (15) Business Days after the

date the proposal is delivered to Buyer, the Provider shall perform such Special Project in accordance with the terms of this Agreement. If the Parties do not agree on such proposal for a Special Project within fifteen (15) Business Days after the date it is delivered to Buyer, the Provider will have no further obligation under this Agreement with respect to such Special Project.

Section 2.4 **Service Modifications.** The Provider may reasonably supplement, modify, substitute or otherwise alter any of the Services from time to time in a manner consistent with supplements, modifications, substitutions or alterations made for similar services provided or otherwise made available by the Provider to itself or its Affiliates; provided, however, that the availability, level, scope and quality of service shall not be decreased in any material respect as a result of such supplements, modifications, substitutions or alterations nor shall the cost thereof increase; provided, further, the Provider shall, to the extent practicable, provide Buyer with prior written notice of any such supplements, modifications, substitutions or alterations.

Section 2.5 **Subcontractors.** The Provider may, directly or through one or more Affiliates, hire or engage one or more subcontractors or other third parties (each, a “Subcontractor”) to perform any or all of its obligations under this Agreement; provided, that: (a) the Provider remains ultimately responsible for ensuring that the obligations with respect to the nature, quality and standards of care set forth in Section 3.1 are satisfied with respect to any Service provided by any Subcontractor; (b) the use of any Subcontractor will not increase the fees payable by Buyer hereunder; and (c) the identity of such Subcontractor and the terms and conditions of the engagement of such Subcontractor shall be subject to the prior written consent of Buyer (not to be unreasonably delayed, conditioned or withheld) unless such Subcontractor provided the Services or similar services to the Company prior to the date of this Agreement.

Section 2.6 **Third-Party Consents.** The Provider shall use reasonable best efforts to obtain any waiver, permits, consents, licenses or sublicenses that the Provider believes are required under any third-party agreement that is necessary for the performance or receipt of any Service or Special Project agreed upon in accordance with Section 2.3 (each, a “Third-Party Consent”). The aggregate costs (including any license or other fees and expenses) associated with obtaining such Third-Party Consents shall be borne between Buyer and the Provider as set forth in Section 7.03(e) of the Stock Purchase Agreement. If the Provider is unable to obtain a Third-Party Consent prior to the date the relevant Services or agreed upon Special Project requiring such Third-Party Consent were otherwise due to be performed, until such time as such Third-Party Consent is obtained, the Provider shall, and shall cause each of its Affiliates to, use reasonable best efforts to cooperate with Buyer in any lawful and economically feasible alternative arrangement to provide that Buyer shall receive such Services. Such arrangement may include performance by Provider or an Affiliate of Provider as agent, subcontracting, sublicensing or subleasing to Buyer, or Provider or its Affiliates enforcing for the benefit (and at the expense) of Buyer any and all of its respective rights against any non-affiliated third party associated with the applicable third-party agreement.

Section 2.7 **Security Level; Reasonable Assistance; Access.**

(a) Each Party shall, and shall cause its Affiliates to, work with the other Party in good faith to ensure that they are each able to maintain their respective current levels of

physical and electronic security during the term of this Agreement (including data security and data privacy), and to address any new security related issues, including compliance with applicable Laws related to security and issues related to new technologies or threats. In addition to the foregoing, (i) the Provider or any of its Affiliates shall grant to Buyer or any of its Affiliates or personnel access to or use of any of its or their IT Systems and (ii) Buyer or any of its Affiliates shall grant to the Provider or of its Affiliates or personnel access to or use any IT Systems of Buyer or any of its Affiliates, in each case if and to the extent required to perform or receive the Services. To the extent that such access is granted, the party having such access shall, and shall cause its Affiliates and personnel to, comply with all reasonable and generally applicable written policies, procedures and limitations of the other party or such subsidiaries with respect to such access or use (including privacy, information security and firewall, antivirus protection, physical security, access control for computer access, and password sharing), each as the same have been communicated to the party receiving access in writing and subject to amendment from time to time by the party providing access (“Security Procedures”). The party receiving such access shall be responsible for each of its Affiliate’s and personnel’s compliance with such policies and procedures and shall ensure that such access shall be used by its Affiliates and personnel only for the purposes contemplated by, and subject to the terms of, this Agreement.

(b) Subject to the more specific description of services and restrictions contained in Schedule 2.1 and its attachments, as necessary in connection with the Services and any agreed upon Special Projects, and provided that each Party complies with the other Party’s Security Procedures, each Party shall provide the other Party with any reasonable assistance, including providing to such Party such information, data, and, upon prior written notice from Provider to Buyer, access to premises of the Buyer or its Affiliates, as may be reasonably required to permit the Provider to provide, and Buyer to receive, the Services and any agreed upon Special Projects. If any such assistance from the Provider would require more than trivial time or expense, then such assistance shall be a Special Project and shall be subject to the terms and conditions set forth in Section 2.3 hereof.

Section 2.8 **Non-Exclusivity**. Nothing in this Agreement shall prevent Buyer, during the term of this Agreement, from obtaining any of the Services from any other Person or from providing any such services to itself using its own facilities and employees. Any costs associated with the obtaining of any such Services by Buyer from any other Person or the providing of any such Services to itself, shall exclusively be borne by Buyer, except as otherwise expressly set forth herein.

Section 2.9 **Title to Provider Property; Management and Control**.

(a) All procedures, methods, systems, strategies, tools, equipment, facilities and other resources used by the Provider or any of its Affiliates or any Subcontractor in connection with the provision of Services and any agreed upon Special Projects hereunder (collectively, the “Provider Property”) shall remain the property of the Provider, its Affiliates or such Subcontractor, as applicable, except as otherwise agreed by the Provider and Buyer, and, except as otherwise provided herein, shall at all times be under the sole direction and control of the Provider, its Affiliates or such Subcontractor.

(b) Except as otherwise provided herein, management of, and control over, the provision of the Services and agreed upon Special Projects (including the determination or designation at any time of the Provider Property, employees and other resources of the Provider, its Affiliates or any Subcontractor to be used in connection with the provision of the Services and agreed upon Special Projects) shall reside solely with the Provider. Without limiting the generality of the foregoing, all labor matters relating to any employees of the Provider, its Affiliates and any Subcontractor shall be within the exclusive control of such parties, and Buyer shall take no action affecting, or have any rights with respect to, such matters. The Provider shall be solely responsible for the payment of all salary and benefits and all income tax, social security taxes, unemployment compensation, workers' compensation tax, other employment taxes or withholdings and premiums and remittances with respect to employees of the Provider and its Affiliates used to provide Services and agreed upon Special Projects.

(c) Notwithstanding Section 2.9(a), if the Provider or any of its Affiliates or any Subcontractor develops or delivers any deliverable (e.g., reports prepared by the Provider specifically related to the receipt of a Service) for or at the request of Buyer or any of its Affiliates, the Intellectual Property therein will be owned by Provider or its Affiliates (as applicable), except if used primarily in the Business (in which case such Intellectual Property will be owned by Buyer) or otherwise agreed to in writing by the Parties. No license or right, express or implied, is granted under this Agreement by either Party or its Affiliates in or to their respective Intellectual Property, except that, solely to the extent required for the provision or receipt of the Services in accordance with this Agreement, each Party (the "Licensor"), for itself and on behalf of itself and its Affiliates, hereby grants to the other Party (the "Licensee") (and the Licensee's Affiliates) a non-exclusive, revocable, non-transferable (except as provided in Section 8.11), non-sublicenseable (except to third parties as required for the provision or receipt of the Services, but not for their own independent use), royalty-free, worldwide license to use such Intellectual Property (and any and all improvements, modifications, enhancements or derivative works thereof) of the Licensor in connection with this Agreement, but only (i) to the extent and for the duration necessary for the Licensee to provide or receive the applicable Service under this Agreement or (ii) in connection with Licensee's or its Affiliates' use of such deliverable for the Business (if Licensee is the Buyer) or its business (if Licensee is the Provider and such Intellectual Property is used primarily but not exclusively in the Business). Upon the expiration of the Service Period with respect to a Service, or the earlier termination of such Service, in accordance with this Agreement, the license to use the relevant Intellectual Property in connection with the provision or receipt of the applicable Service will terminate. Upon the expiration or termination of this Agreement or an applicable Service, the Licensee shall cease use of the Licensor's Intellectual Property pursuant to this Section 2.9(c) (other than in connection with such deliverable) and shall return or destroy at the Licensor's request all information or embodiments of such Intellectual Property provided in connection with this Agreement, provided that each Party may retain confidential information of the other Party as required by applicable Law, and/or as part of its then-current data and/or document retention policy ("Back-Up Data"), provided such Back-Up Data is maintained in storage and not accessed or used in any manner other than as necessary to comply with such policies.

**Section 2.10 Website.** During the term of this Agreement, Provider shall maintain on its website (the current address of which is "ufginsurance.com") (the "Website") the pages and links relating to, and that are primarily used in, the Business as of the Closing. The

Company shall be responsible for making any changes to such pages and links and providing them to Provider; Provider shall implement such changes on the Website. Provider shall provide the Company with data collected by or through the Website with respect to the Business, provided that such data is available to Provider and subject to applicable Law and privacy policies. At such time as the Company establishes its own website (the “Company Website”), Provider shall provide notice on the “insurance” and “Life Portal” pages to users of the Website as to the URL of the Company Website and, for users who click on the “Life Portal”, Provider shall automatically link such users to such URL. Provider’s obligations as set forth in this paragraph shall terminate at the end of the term of this Agreement.

### **ARTICLE III**

#### **SERVICE STANDARDS, PROJECT MANAGERS, REGULATORY MATTERS AND MIGRATION PLAN**

Section 3.1 **Service Standards.** The Provider shall provide the Services, or cause the Services to be provided, (a) in substantially the same manner and using at least the same standard of care and degree of efficiency and quality that the Provider, its Affiliates and its Subcontractors used in the twelve months prior to the execution of the Stock Purchase Agreement in performing such Services or similar services (to the extent such Services were provided by the Provider prior to the Closing Date) for the Company and (b) at all times in accordance with applicable Law as then in effect, including the maintenance by Provider of all licenses, authorizations, permits and qualifications from Governmental Authorities required to perform the Services under this Agreement. Buyer understands and agrees that the Provider is not in the business of providing transition services to third parties, and under no circumstances shall the Provider be held accountable to a higher standard of care or one that is appropriate for a party in the business of furnishing transition or similar services to third parties. The Provider shall not be liable under this Agreement (a) for any failure of a Subcontractor in the provision of the Services so long as the Provider shall have used reasonable best efforts to cause such Subcontractor to perform the relevant Services in a manner consistent with the Subcontractor’s contract and the standards by which such Service was provided to the Company prior to the Closing Date, or (b) for any failure to provide or make available Services as set forth herein if such failure was the result of personnel of the Provider, its Affiliates or its Subcontractors performing (or not performing) the Services in accordance with instructions provided by Buyer or one or more of its Affiliates receiving the Services.

Section 3.2 **Failure to Meet Standards for Services.** If the Provider fails to meet the standards for Services required by Section 3.1 and Buyer provides the Provider with a written request for re-performance without limiting Buyer’s rights hereunder, the Provider shall (a) rectify such failure at the Provider’s cost and expense as soon as possible using reasonable best efforts and (b) reimburse any Fees related to such service shortfall or reduce such Fees not yet provided.

Section 3.3 **Regulatory Matters.** Without limiting the obligation of the Provider to provide the Services in accordance with the standards set forth in Section 3.1, each Party shall be responsible for complying with all applicable Laws then in effect pertaining to such Party’s business and operations and its performance of this Agreement. Nothing in this Agreement obliges either Party to act in breach of the requirements of any applicable Law,

including written policy statements and by-laws of securities commissions, insurance and other regulatory authorities. In addition to providing the Services as required hereunder, the Provider shall cooperate with Buyer and any regulatory authorities that supervise Buyer in connection with meeting any regulatory requirements applicable to the Services. If any such assistance from the Provider would require more than trivial time or expense, then such assistance shall be a Special Project and shall be subject to the terms and conditions set forth in Section 2.3. If either Party receives notice of, or otherwise becomes aware of, any inquiry, investigation, examination, audit, proceeding or other action by or on behalf of any Governmental Authority relating to the Services, Buyer or the Provider, as the case may be, shall promptly notify the other Party thereof, whereupon the Parties shall cooperate in good faith to resolve such matter in a mutually satisfactory manner and shall act reasonably in light of the Parties' respective interests in the matter at issue.

Section 3.4 **Project Managers**. The Provider and Buyer shall each appoint a Project Manager, each of whom will serve as the primary contact point for the Project Manager's respective Party with respect to issues that may arise out of the performance of this Agreement. Each of the Provider and Buyer may replace its respective Project Manager by giving notice to the other Party's Project Manager stating the name, title and contact information for such Party's new Project Manager. The Parties shall cause the Project Managers to meet, either in person or telephonically, at least once monthly, or more frequently if mutually agreed upon, to discuss the status of the Services and any agreed upon Special Projects, and to manage open issues related to this Agreement and performance hereunder, discuss any planned termination dates for particular Services and agreed upon Special Projects, and review service levels achieved and missed in the previous month, as well as non-achievement of targets and corrective actions taken or planned. In addition, either Project Manager may call a meeting with the other Project Manager upon five (5) Business Days' prior written notice to address time critical issues related to the Services.

Section 3.5 **Migration of Services**. The Parties acknowledge and agree that the Services to be provided hereunder are transitional in nature and are intended to provide Buyer with reasonable time to develop the internal resources and capacities (or to arrange for third-party providers) to provide such Services. A detailed outline of the plans for migration of the Services, as well as IT systems related to the Business, and the general principles governing the sharing and separation of information between the Parties is set forth in Schedule 3.5 (the "Migration Plan"). Subject to Section 3.6, the Parties shall perform their respective obligations in the Migration Plan and shall use reasonable best efforts to achieve the milestones included in the Migration Plan in accordance with the relevant time frame set forth therein. If any such obligation of the Provider under the Migration Plan would require more than trivial time or expense, then such obligation shall be added to Schedule 2.1 subject to the terms and conditions set forth in Section 2.2 hereof.

Section 3.6 **Dependencies**. Notwithstanding the foregoing, both Parties acknowledge that some of the Services or agreed upon Special Projects to be provided hereunder require instructions, data, information and access from Buyer or are dependent in whole or in part on completion of prior acts by Buyer (e.g., prior deliverables under the Migration Plan), which Buyer shall provide to the Provider or otherwise complete as reasonably required for the Provider to provide or procure such Services and agreed upon Special Projects in the manner and with the timing contemplated by the Parties. If Buyer fails to provide such instructions, data,



information or access, or fails to perform a prerequisite act, the Provider shall have no liability for failing to perform such Service or agreed upon Special Project.

**ARTICLE IV**  
**SERVICE FEES AND FEE DISPUTE RESOLUTION**

Section 4.1 **Service Fees.**

(a) In consideration of the provision of the Services, Buyer shall pay to the Provider the fees set forth in Schedule 2.1 for the Services (the “Service Fees”). If Buyer terminates any particular Service in accordance with this Agreement prior to the end of a monthly period, (i) if the Service Fees for such Service is based on usage, such Service Fee for the monthly period in which the termination occurs shall be determined based on usage during such month and (ii) to the extent that the Service Fee for such Service is not based on usage, such Service Fee for the monthly period in which the termination date occurs will be determined by multiplying the amount of such monthly Service Fee by a fraction, the numerator of which is the number of days in the portion of such monthly period during which the terminated Service was provided, and the denominator of which is the number of total days in such monthly period. The Service Fees do not include Taxes, which will be paid for exclusively by Buyer in accordance with Section 4.5 below.

(b) The Parties shall agree upon the pricing for any agreed upon Special Projects in accordance with Section 2.3 (the “Special Project Fees” and together with the Service Fees, the “Fees”).

Section 4.2 **Reimbursement of Expenses.** To the extent not already covered by the Fees, Buyer shall reimburse the Provider for all of its documented and reasonable out-of-pocket expenses actually incurred and paid to an unaffiliated third party in connection with the provision of the Services and any agreed upon Special Projects to Buyer, including the documented and reasonable out-of-pocket costs and expenses of any travel, including transportation, lodging and meals, of any employee or agent of the Provider, its Affiliates or its Subcontractors who is required to travel to any location other than the Provider’s facilities in connection with the performance of the Services and any agreed upon Special Projects; provided, however, that any costs and expenses in excess of \$10,000 for a single expense shall not be incurred without Buyer’s prior written consent.

Section 4.3 **Invoices; Payment.** Promptly after the end of each month, the Provider shall prepare and deliver to Buyer an invoice setting forth the Fees due under Section 4.1 and expense reimbursement amounts due under Section 4.2 for all Services (and agreed upon Special Projects, if any) provided during such month (each an “Invoice”). All amounts reflected in an Invoice shall be due and payable within thirty (30) calendar days following receipt by Buyer of the Invoice. Unless otherwise mutually agreed by the Parties, payments shall be made by wire transfer in immediately available funds in U.S. dollars. Except to the extent Buyer reasonably and in good faith disputes any specifics provided in an Invoice in accordance with Section 4.4, any payment required to be made under this Agreement that is not paid when due shall bear interest from and including the due date of the Invoice, but excluding the date of payment, at the rate of one and one-half percent (1.5%) per month; provided, that if any payment

not made on or prior to the due date is made within ten (10) Business Days after the due date, no interest will be due on such payment. Such interest shall be payable at the same time as the payment to which it relates.

Section 4.4 **Fee and Accounting Dispute Resolution**. If a dispute arises as to the calculation of any Invoice, the Parties shall use their reasonable best efforts to reach an agreement with respect to such disputed amount. If the respective Persons at Buyer and the Provider responsible for preparing and reviewing Invoices, as applicable, are unable to reach an agreement within five (5) Business Days after Buyer has notified the Provider that there is a dispute, then the Project Managers of Buyer and the Provider shall confer in good faith and use their reasonable best efforts to come to a resolution of the dispute. If the Parties are unable to agree upon a resolution of the dispute within five (5) Business Days after the Project Managers have conferred, then the Parties may pursue any remedy permitted under this Agreement to resolve such dispute.

Section 4.5 **Taxes**. Any sales Tax, transfer Tax, value-added Tax, goods and services Tax or similar Tax (including any such Taxes that are required to be withheld, but excluding all other Taxes including Taxes based upon or calculated by reference to income, receipts or capital) imposed on the Fees or expense reimbursements paid to the Provider pursuant to this **ARTICLE IV** must be paid by Buyer to the Provider or remitted to the appropriate Tax Authority as required.

Section 4.6 **Redundant Expenses**. To the extent the Provider has taken on additional personnel or infrastructure as a result of its obligations under this Agreement, and such personnel or infrastructure becomes unnecessary as a result of the early termination of this Agreement or any particular Service pursuant to **Section 5.2**, (a) the Provider shall use reasonable best efforts to mitigate any such expenses and (b) upon notice of the early termination of this Agreement or any particular Service by Buyer, the Provider shall advise Buyer in writing within ten (10) Business Days of any related expenses the Provider will incur as a result of such early termination, setting forth the amount of such expenses that the Provider will need reimbursed by Buyer upon such termination. Upon receipt by Buyer of the notice described in clause (b) of the preceding sentence, Buyer shall have ten (10) Business Days to withdraw the request for early termination by providing to the Provider written notice of the withdrawal of its termination notice. If Buyer does not withdraw its termination notice within such ten (10) Business Day period, Buyer shall reimburse the Provider for the amount of expenses set forth by the Provider in such notice.

## **ARTICLE V** **TERM AND TERMINATION**

Section 5.1 **Period of Service**. The Provider shall provide or cause to be provided each of the Services for a period of time beginning on the Effective Date and ending on the date on which such Service is scheduled to expire, as set forth in **Schedule 2.1** (the "**Service Period**"), unless otherwise terminated as provided herein.

Section 5.2 **Termination of Individual Services**. Buyer, within its sole discretion, may terminate any specific Service, with or without cause, upon providing the

Provider not less than forty-five (45) calendar days' prior written notice describing the Service to be terminated and the effective date of termination. Upon such termination date, charges for such terminated Service shall cease to accrue, but Buyer shall continue to be responsible for the costs of any other Services that continue to be provided hereunder. If the termination of the specified Service would also require the termination or partial termination of, or otherwise affect the provision of, any other Services, then the Provider shall advise Buyer in writing of the same as soon as reasonably practicable after receiving Buyer's notice, and Buyer shall within ten (10) Business Days notify the Provider of the withdrawal of its termination notice; otherwise, such termination shall be deemed to include the originally specified Services as well as the other Services described by the Provider. Unless such termination notice is withdrawn by Buyer pursuant to the prior sentence or pursuant to Section 4.6, such termination notice shall be deemed final. Except as set forth above, no such termination of any Service will in any way affect the Provider's obligation to provide or make available any other Service provided or required pursuant to this Agreement or Buyer's obligation to pay for the same, all in accordance with the terms of this Agreement.

### Section 5.3 **Termination of Agreement.**

(a) This Agreement (or any particular Service, as applicable) may be terminated with immediate effect as follows:

- (i) at any time upon the mutual written agreement of the Parties, which agreement must state the effective date of termination;
- (ii) on the date on which all Services have been terminated by Buyer pursuant to Section 5.2;
- (iii) by the Provider or by Buyer when the non-terminating Party is in material breach of any of its obligations under this Agreement and has failed to remedy the breach within thirty (30) calendar days after receipt of notice from the terminating Party of the breach, such notice to reference this Section 5.3(a)(iii) and to describe in reasonable detail the alleged breach; provided, that the right to terminate this Agreement under this Section 5.3(a)(iii) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or results in, such breach; or
- (iv) by either Party upon delivery of notice to the other Party if the other Party makes an assignment for the benefit of creditors, or becomes bankrupt or insolvent, or has entered against it, or at its request, an order for relief under the U.S. Bankruptcy Code (11 U.S.C. Sec. 101 et seq., as amended), or the other Party takes advantage of any state, federal or foreign bankruptcy or insolvency act, or a receiver or receiver/manager is appointed for all or any substantial part of its property and business and such receiver or receiver/manager remains undischarged for a period of thirty (30) days.

(b) Following any termination of this Agreement or any particular Service, the Provider shall use reasonable best efforts to transfer any records maintained by the Provider hereunder that pertain exclusively to such terminated and transferred Services to Buyer or to its designee. Buyer shall cooperate in good faith with the Provider to allow the Provider to complete the transfer of such Services to Buyer or its designee as early as is commercially reasonable to do so. In addition, following any such termination the Provider shall cooperate with Buyer in connection with any regulatory or Tax audits relating to any period during which the Provider was providing Services hereunder.

Section 5.4 **Survival.** The provisions ARTICLES I, IV, V, VI, VII and VIII shall survive termination of this Agreement.

## **ARTICLE VI**

### **INDEMNIFICATION AND LIMITATION OF LIABILITY**

Section 6.1 **Indemnification by the Provider.** The Provider shall indemnify, defend and hold harmless Buyer, its Affiliates, and their respective directors, officers, employees, agents and representatives (collectively, the “Buyer Indemnified Parties”) from and against any and all Losses from third-party claims asserted against, imposed upon or incurred by any Buyer Indemnified Party arising out of or related to (a) any breach by the Provider of its obligations to provide the Services in accordance with, and subject to, the terms of this Agreement and (b) the Provider’s fraud, willful misconduct or gross negligence in the performance of any Services under this Agreement. Notwithstanding anything to contrary in this Agreement, the indemnification to be provided under in this Section 6.1 shall be governed by the procedures set forth in Sections 13.03 and 13.04 of the Stock Purchase Agreement.

Section 6.2 **Indemnification by Buyer.** Buyer shall defend and hold harmless the Provider and its Affiliates and their respective directors, officers, employees, agents and representatives (collectively, the “Provider Indemnified Parties”) from and against any and all Losses from third-party claims asserted against, imposed upon or incurred by any Provider Indemnified Party arising out of or related to (a) any breach by Buyer of its obligations under this Agreement and (b) Buyer’s fraud, willful misconduct or gross negligence in connection with the Services under this Agreement. Notwithstanding anything to contrary in this Agreement, the indemnification to be provided under in this Section 6.2 shall be governed by the procedures set forth in Sections 13.03 and 13.04 of the Stock Purchase Agreement.

Section 6.3 **Limitation on Liability.** THE PROVIDER SHALL NOT HAVE ANY DUTIES OR RESPONSIBILITIES UNDER THIS AGREEMENT OTHER THAN THOSE SPECIFIED HEREIN AND NO IMPLIED OBLIGATIONS SHALL BE READ INTO THIS AGREEMENT. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY AND EXCEPT FOR ANY LOSSES TO BE INDEMNIFIED UNDER Section 6.1 OR Section 6.2 AND DAMAGES RESULTING FROM BREACHES OF Section 8.10, THE PROVIDER SHALL NOT BE LIABLE TO ANY BUYER INDEMNIFIED PARTY, AND BUYER SHALL NOT BE LIABLE TO ANY PROVIDER INDEMNIFIED PARTY FOR ANY CLAIM ARISING OUT OF ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES, OR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING BUSINESS INTERRUPTION OR LOSS OF CUSTOMERS, GOODWILL,

USE, INCOME, PROFITS OR ANTICIPATED PROFITS, BUSINESS OR BUSINESS OPPORTUNITY, SAVINGS, DATA OR BUSINESS REPUTATION), REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, AND REGARDLESS OF WHETHER THE PARTY AGAINST WHICH SUCH CLAIM IS MADE HAS BEEN ADVISED OF, KNEW OF, OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES EXCEPT TO THE EXTENT SUCH DAMAGES (I) ARE AWARDED TO AN UNAFFILIATED THIRD PARTY OR (II) ARISE FROM THE PROVIDER'S OR ITS AFFILIATE'S ACTUAL FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. THE CUMULATIVE AGGREGATE LIABILITY OF PROVIDER TO ANY BUYER INDEMNIFIED PARTY UNDER Section 6.1 SHALL IN NO EVENT EXCEED THE GREATER OF (X) THE AGGREGATE SERVICE FEES PAID TO THE PROVIDER OVER THE TWELVE (12) MONTHS PRIOR TO SUCH CLAIM AND (Y) \$5,000,000, EXCEPT TO THE EXTENT SUCH DAMAGES (I) ARE AWARDED TO AN UNAFFILIATED THIRD PARTY OR (II) ARISE FROM THE PROVIDER'S OR ITS AFFILIATE'S ACTUAL FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

Section 6.4 **Exclusive Remedies.** Buyer's exclusive remedy against the Provider for any breach of, or other act or omission arising out of or relating to, this Agreement or the performance or non-performance of the Provider hereunder shall be: (a) the right to receive refunds of the amounts of any payment in excess of amounts owed under this Agreement; (b) the right to indemnification as provided in Section 6.1; (c) the right to require re-performance of any Service to the extent required under Section 3.2; (d) the right to injunction, specific performance or other equitable non-monetary relief when available under applicable Law; (e) the right to terminate this Agreement pursuant to Section 5.3; and (f) the right to actual damages for breach of Section 8.10 (but, for the purposes of clarity, not for breach of any other section of this Agreement).

## **ARTICLE VII**

### **DISPUTE ESCALATION; RESOLUTION BY THE PARTIES**

Section 7.1 **Dispute Escalation; Scope.** In the event a dispute arises between the Parties under this Agreement, face-to-face negotiations shall be conducted between the Parties' respective Project Managers ("Level One Negotiations"). The Parties shall ensure that their respective Project Managers shall use reasonable best efforts and work together in good faith to resolve any disagreements or disputes between the Parties as expeditiously as possible. If such Project Managers are unable to resolve the dispute within five (5) days after the Parties have commenced Level One Negotiations, or ten (10) days after the initial request for Level One Negotiations, whichever is later, then either Party may request that face to face or telephonic negotiations shall be conducted by the Parties' respective internal subject matter experts ("Level Two Negotiations"). If such individuals are unable to resolve the dispute within ten (10) days after the Parties have commenced Level Two Negotiations, or twenty (20) days after the initial request for Level Two Negotiations, whichever is later, any unresolved dispute arising out of the interpretation, performance, or breach of this Agreement, including the formation or validity thereof, shall be resolved in the manner described in Section 7.2.

Section 7.2 **Submission to Jurisdiction.**

(a) Each of the Provider and Buyer irrevocably and unconditionally submits for itself and its property in any Action arising out of or relating to this Agreement, the transactions contemplated by this Agreement, the formation, breach, termination or validity of this Agreement or the recognition and enforcement of any judgment in respect of this Agreement, to the exclusive jurisdiction of the Delaware Court of Chancery in New Castle County and any state appellate court therefrom (or, if the Delaware Court of Chancery declines to accept jurisdiction over any matter, any other Delaware state or federal court), and all claims in respect of any such Action shall be heard and determined in such aforesaid courts.

(b) Any such Action may and shall be brought in such courts and each of the Provider and Buyer irrevocably and unconditionally waives any objection that it may now or hereafter have to the venue or jurisdiction of any such Action in any such court or that such Action was brought in an inconvenient court and shall not plead or claim the same.

(c) Service of process in any Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 8.2.

(d) Nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the Laws of the State of Delaware.

## **ARTICLE VIII**

### **MISCELLANEOUS PROVISIONS**

Section 8.1 **Further Assurances.** The Parties shall execute and deliver, and shall procure that their Affiliates shall execute and deliver, such documents, certificates, agreements and other writings and take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions and services contemplated by this Agreement.

Section 8.2 **Notices.** All notices, requests, consents, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by email with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.2):

(a) if to Provider:

United Fire & Casualty Company  
118 Second Avenue SE  
Cedar Rapids, Iowa 52401  
Attention: General Counsel, Neal Scharmer  
Email: nscharmer@unitedfiregroup.com

with a copy to:

Sidley Austin LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Attention: Brian J. Fahrney  
Sean M. Carney  
Email: bfahrney@sidley.com  
scarney@sidley.com

(b) if to Buyer:

Kuvare Holdings  
55 W. Monroe St., Suite 1930  
Chicago, IL 60603  
Attention: David A. Goldberg  
Email: dgoldberg@kuvare.com

with a copy to:

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Attention: David Grosgold  
Nicholas F. Potter  
Email: dgrosgold@debevoise.com  
nfpotter@debevoise.com

Section 8.3 **Entire Agreement.** Except as otherwise expressly provided in this Agreement, this Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of Provider and/or its Affiliates, on the one hand, and Buyer and/or its Affiliates, on the other hand, with respect to the subject matter of this Agreement.

Section 8.4 **Amendment.** No provision of this Agreement may be amended, supplemented or modified except by a written instrument signed by all the parties to such agreement.

Section 8.5 **Governing Law.** This Agreement shall in all respects be governed by, and construed in accordance with, the Laws of the State of Delaware.

Section 8.6 **No Third Party Beneficiaries.** Except as provided in Article VI with respect to the Provider Indemnified Parties and Buyer Indemnified Parties, this Agreement is for the sole benefit of the parties to this Agreement and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.7 **Expenses.** Except as otherwise provided herein, each Party shall be responsible for any and all expenses and fees incurred by it in connection with the transactions and services contemplated hereby.

Section 8.8 **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 8.9 **Relationship Between the Parties.** In connection with this Agreement, the Provider, on the one hand, and Buyer, on the other hand, are acting as independent contractors and, as such, shall not have any authority to bind or commit the other, except as otherwise expressly set forth herein. Nothing in this Agreement will be deemed or construed to create a joint venture or partnership relationship between the Parties for any purpose, and the Parties are not joint employers for any purpose by reason of this Agreement.

Section 8.10 **Treatment of Confidential Information.** Each Party shall, and shall cause each of its Affiliates and each of its and their officers, directors and employees to, hold all information relating to the business of the other Party disclosed to it by reason of this Agreement (the “Confidential Information”) confidential, and shall not disclose or permit to be disclosed any such Confidential Information to any third party unless legally compelled to disclose such information; provided, however, that to the extent that a Person receiving Confidential Information hereunder may become legally compelled to disclose any Confidential Information, such Person: (a) may only disclose such information if it shall first have used reasonable best efforts to, and, if practicable, shall have afforded the other party the opportunity to, obtain an appropriate protective order or other satisfactory assurance of confidential treatment for the information required to be so disclosed; and (b) if such protective order or other remedy is not obtained, or the other party waives such Person’s compliance with the provisions of this Section 8.10, shall only furnish that portion of the Confidential Information which is legally required to be so disclosed. As used herein, “Confidential Information” does not include any information that: (i) is or becomes generally available to the public other than as a result of a disclosure by the party receiving the Confidential Information; (ii) was available to the receiving party on a non-confidential basis prior to its disclosure by the disclosing party; or (iii) becomes available to the receiving party from a Person other than the disclosing party or its Affiliates who is not, to the receiving party’s knowledge, subject to any legally binding obligation to keep such information confidential.

Section 8.11 **Assignment.** Neither Buyer nor the Provider may assign this Agreement or any of the rights, interests or obligations hereunder (whether by operation of law or otherwise) without the prior written consent of the other; provided, however, that the Provider may hire or engage Affiliates or Subcontractors in accordance with Section 2.5 and Buyer may



assign the right to receive Services and the obligation to pay the related Service Fees to the Company or another Affiliate of Buyer; and provided, further, that no prior consent is required for assignment to a successor of all or a portion of the assigning party's assets or business, whether by merger, consolidation, acquisition, stock sale or similar transaction or series of related transactions. No such assignment shall relieve the assigning party of its obligations under this Agreement. This Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns. Any purported assignment or delegation by Buyer not in compliance with the foregoing shall be null and void.

Section 8.12 **Force Majeure.**

(a) The Provider shall not be liable for any expense, loss or damage whatsoever arising out of any interruption of Service or delay or failure to perform under this Agreement caused by Force Majeure. For purposes of this Agreement, "Force Majeure" means any circumstance or event beyond the reasonable control of the Provider relying upon such event or circumstance, including: acts of God, acts of a public enemy, acts of terrorism, acts of a nation or any state, territory, province or other political division thereof, changes in applicable Law, fires, floods, epidemics, riots, quarantine restrictions, freight embargoes or other similar causes. In any such event, the Provider's obligations hereunder shall be postponed for such time as its performance is suspended or delayed on account thereof. If the Provider or any Subcontractor is so affected, the Provider will notify Buyer in writing upon learning of the occurrence of such event of Force Majeure. Upon the cessation of the Force Majeure event, the Provider will use reasonable best efforts to resume, or to cause the relevant Subcontractor, to resume, its performance with the least practicable delay.

(b) During the period of a Force Majeure affecting the Provider, Buyer shall be entitled to seek an alternative service provider with respect to the Services affected and the Provider and the Buyer will split equally the incremental cost increase for any such alternative service provider. If a Force Majeure shall continue to exist for more than fifteen (15) consecutive days, the Buyer shall be entitled to permanently terminate the Services with no termination charges due pursuant to Section 4.6 or otherwise in connection with such termination. The Buyer shall be relieved of the obligation to pay any Fees and other amounts for the provision of the affected Services or access to the affected Facilities throughout the duration of such Force Majeure.

Section 8.13 **Counterparts.** This Agreement may be executed in two (2) or more counterparts, and by the different parties to each such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic means shall be as effective as delivery of a manually executed counterpart of this Agreement.

[Signatures are on the following page]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the Effective Date.

**United Fire & Casualty Company**

By: \_\_\_\_\_  
Name: Randy A. Ramlo \_\_\_\_\_  
Title: President & CEO \_\_\_\_\_

**Kuvare US Holdings, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule 2.1**

**Services**

**[To be attached]**

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Accounting	1	Staff Supervision	<ul style="list-style-type: none"> <li>- Manage workloads</li> <li>- 1:1 meetings with staff and goal review &amp; documentation</li> <li>- Assist with questions/issues/processes</li> <li>- Review &amp; approve employee PTO</li> <li>- Implement/tweak processes to improve efficiencies</li> <li>- Provide training, mentoring &amp; support</li> <li>- Cover jobs/tasks as necessary</li> </ul>	Daily- as needed Monthly- 1:1s	Average- 3hrs day	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	2	Supervise Daily Functions of Treasury Unit	<ul style="list-style-type: none"> <li>- Cash collection process for inforce &amp; new business</li> <li>- Credit Card process</li> <li>- AP Disbursement process</li> <li>- Bank/Positive process</li> <li>- Review reports</li> <li>- Reconcile accounts as necessary</li> <li>- Resolve discrepancies</li> </ul>	Daily	Average- 3hrs day	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	3	Month-End Balancing	Review & Approve the following reports: 1. Month-end Bank Recon 2. Policy Loan Balancing 3. Unallocated Suspense 4. Advance Premium Deposit Balancing 5. Cafeteria Account Balancing 6. Travel Balancing 7. Immediate Annuity/Supplemental Balancing 8. UNI- Life Withdrawal & Withdrawal Charges Balancing 9. SCILC Payor Waiver Balancing 10. Premium Income Report 11. Schedule T Report 12. State Reporting Specific Benefit Balancing	Monthly	2-3 hrs per month	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	4	RAS Acct Balancing	Balance Northern Trust month-end statement to General Ledger	Monthly	15 mins	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	5	YTD Payroll Reconciliation	Balance payroll YTD spreadsheet- using payroll reports from HR & Salaries Acct in General Ledger	Monthly	30 mins	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	6	Projects/Testing	Work on various projects, attend meetings, and complete testing for accounting functions	Variable	Variable- dependent on the project- on average 25-35% of my time	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	7	Unclaimed Property	<ul style="list-style-type: none"> <li>- Review Unclaimed Property money to be remitted to states.</li> <li>- Send due diligence letters of money to be remitted in compliance w/each state's guidelines.</li> <li>- Notify &amp; Forward needed info for Nate to submit through UP Exchange site.</li> <li>- Life Acctg depart prepares the checks and send back to Nate.</li> </ul>	2x a year (Spring & Fall)	20-30 hrs/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	8	Auditor walk throughs & requests	<ul style="list-style-type: none"> <li>- Prepare &amp; provide Bank Confirmations, Policy loan confirmations, copies of checks, policy dec pages, premium screens, etc. to internal &amp; external auditors as requested</li> <li>- Review &amp; Approve the written Annuity Surrender Process, Life Cash Collection Process &amp; Policy Loan Process on a quarterly basis for internal auditors</li> <li>- Complete SOX Walkthroughs with external auditors for Life Cash Collection, Policy Loans, &amp; Annuity Surrenders</li> </ul>	Info Request- Quarterly Review Processes- Quarterly Walkthroughs- Annually	15-20 hrs/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	9	Commission Balancing Back-up	Balance commission system to general ledger weekly at commission payouts and approve journal entries.	Twice a month	2-3 hrs/mo	Treasury Supervisor	12 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Accounting	10	945 Federal Withholding Balancing	<ul style="list-style-type: none"> <li>- Balance Federal WH General Ledger accts against 1099 file</li> <li>- To Prepare 945A form, subtotal all tax withholding by day and verify pymts were made timely</li> <li>- Prepare &amp; Mail 945 &amp; 945A by Jan. 31st</li> <li>- Handle any correspondence from IRS regarding 945 &amp; provide documentation as necessary</li> </ul>	Annual- January	40-60 hrs/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	11	Prepare 1099MISC, 1099R & 1099INTs	<ul style="list-style-type: none"> <li>- Complete 1099MISCs for Lawyers, Parameds, &amp; Vendors (check reports &amp; verify totals)</li> <li>- Complete 1099INTs for APDs that earned interest of \$10+ &amp; any other policies that earned misc interest on refunds</li> <li>- Complete 1099Rs for SPWL or UNI polices that are MECs and have loans (Process a worksheet for each policy listed on Report LA961P to determine if the loan interest is taxable)</li> </ul>	Annual- January	3-4 hrs/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	12	State Withholding Annual Balancing	<ul style="list-style-type: none"> <li>- ULIC is set up for state withholding in IA, IL, MI, MN, NE, ND, OK, WI, &amp; CO</li> <li>- Balance State WH general ledger accts against 1099 file</li> <li>- Complete all necessary forms and filings (on-line or paper) in compliance with each state's regulations</li> <li>- Upload 1099 copies if required by state and in compliance with state regs</li> </ul>	Annual- January	10-15hrs/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	13	State Withholding Payments	<ul style="list-style-type: none"> <li>- Review &amp; approve the withholding pymt to be submitted to each state in compliance with state due dates (semi- weekly, semi-monthly, monthly, or quarterly)</li> <li>- Submit the withholding to states when needed in a back up capacity</li> <li>- Submit monthly or quartlery filings as required by each state</li> <li>- Handle any correspondence from states</li> <li>- Resolve any discrepancies</li> </ul>	Varies- (semi-weekly, semi-monthly, monthly, & or quarterly)	3-4 hrs/mo	Treasury Suprevisor	12 mos		Staff -hrly fixed rate
Accounting	14	Process Positive Pay File (Fridays)	<ul style="list-style-type: none"> <li>- Verify totals &amp; submit new checks issued file from prior day to bank through their on-line banking system</li> <li>- Retrieve paid items file and upload to our check inquiry system</li> <li>- handle any exception items</li> </ul>	1x a week	30 mins for process (if no exceptions)	Treasury Supervisor & Premium Processors	12 mos		Staff -hrly fixed rate
Accounting	15	Accounts Payable Processor back-up (3rd back-up)	Enter and Process manual policy vouchers and vendor invoices	As needed (few times a year)	Variable	Treasury Supervisor as back up	12 mos		Staff -hrly fixed rate
Accounting	16	Manual vouchers & moving money between policies	Vouchers or Payment request from other departments	Daily- as needed	Variable- average 30mins - 1 hr/day	Treasury Supervisor & Premium Processors	12 mos		Staff -hrly fixed rate
Accounting	17	Federal Withholding Pymts (back up)	- Complete Federal Withholding spreadsheet and submit through online bank system the federal withholding due every Tuesday & Thursday (effective Wednesdays & Fridays)	As needed (more often recently due to employee leaving)	Process takes approx. 30 mins	Treasury Supervisor as back up	12 mos		Staff -hrly fixed rate
Accounting	18	Assist all Life departments	<ul style="list-style-type: none"> <li>- provide support to all Life deparments by answering questions, assisting with issues, procedures, etc</li> <li>- knowledge resource on practices &amp; procedures</li> <li>- correct errors or fix issues</li> </ul>	Daily	Variable- depends on the nature of the requests/questions/etc. - Average 1-2 hrs/day	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	20	Paymentus- Dashboard Administrator	<ul style="list-style-type: none"> <li>- Set up new users as needed</li> <li>- Reset passwords</li> <li>- Report access</li> </ul>	As needed	Minimal	Treasury Supervisor	12 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Accounting	21	Concur System (Expense) Administrator	- Assist users with issues in Concur - Submit help desk cases as needed - Access to Concur Reportig tools - Set up delegates as needed - Change approving supervisors as needed & assist with obtaining access for new users	As needed	Minimal for Life Users	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	22	Xroads Administrator	- Request set up of new users as needed - Assist Xroads with issues on submitted files (rare)	As needed	Minimal	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	23	Virignia Co-op Billing	Determine from report which policies to be billed to Virginia Co-op - In system- Virg Credit Co-op Transactions- remove policies that shouldn't be billed. - Notify Computer Operator to run report - Verify report & email to Virginia Co-op staff person	Annual- in June for July 1st billing	30 mins/yr	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	24	Cost of Living Rate	In Nov. of each year, send email to Executive Secretary for new annual cost of living rate for next year. In December of each year, enter cost of living rate in system- Life Billing Maintenance screen.	Annual	1 hr/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	25	Submit Annual agent company renewal pymts	Assist marketing department by submitting e-check pymts for Annual agent renewals through NIPR or state specific websites. Code journal entry for pymt.	Annual (Jan-Aug) due dates vary by state	4 hrs/yr	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	26	Advance Premium Deposits (APD)	Run quotes for agents when requested New APD set Up: prepare APD contract, create APD policy worksheet, premium back off from new business, OW2 record coding, journal entires to APD accts in General Ledger, diary note policy & add policy to APD balancing worksheet	Variable- not often	Quotes- 5-10 mins Set up process- 30-45 mins	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	27	Child Term Rider Plcys- waive premium (due to death clm on original policy)	- Calculate single premium from DEC pages - create the c-card - generate journal entries using correct general ledger account based off original policy number - diary note and email New Business premium has been applied	Variable- few times per year	30 mins for process	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	28	Year-end processing cut offs	- Work with IT staff, Annuity specialist to determine year-end processing cut off times. Communicate it to staff	Annual- Nov/Dec	1 hr/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	29	Contribution Limits for IRA, Roth, Simple & SEP	- Check IRS website for the next year's contribution limits for IRA, Roth, Simple & SEP - Work with IS & Annuity Specialist to have premium edits set for next year	Annual- Oct/Nov	1 hr/yr	Treasury Supervisor	15 mos		Staff -hrly fixed rate
Accounting	30	Monitor Francis Finn loan repymt	Review spreadsheet montly to verify receipt of pymt - Prepare Loan repayment booklet and send annually	Monthly	5 mins/mo 15 mins/yr	Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	31	State Reporting system	- Access to change or delete items that were entered in error or incorrectly			Treasury Supervisor	12 mos		Staff -hrly fixed rate
Accounting	32	Edits in C-card Entry system	- Special edits/rights to apply premium in special cases			Treasury Supervisor	12 mos		Staff -hrly fixed rate
Benefits	33	Benefits Administration	Medical/Rx, TeleHealth, Dental, Vision, 401(k), Life, Disability, Voluntary benefits, pension, retiree benefits, wellbeing program, parental leave, FSA, HSA, EAP, Phased Retirement	Daily		Benefits Mgr/Spec.	12 mos		Staff -hrly fixed rate
Benefits	34	Assistance	Work with employee's one on one with benefits/disability/retirement	Daily		Benefits Mgr/Spec.	12 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Corporate Marketing	35	Quarterly Newsletters	<p>2 Quarterly Newsletters - Sales Connections and Going Places</p> <ol style="list-style-type: none"> <li>1. Marketing project manager (MPM) receives a creative brief from the Life company, establishes a new project, and assigns it to a creative team – writer and designer.</li> <li>2. Team download meeting to conceptualize the message.</li> <li>3. Presentation of conceptual plans to Life company</li> <li>4. Writer researches the subject, interviews subject matter experts and writes the content</li> <li>5. Graphic designer creates a layout. May use proprietary imagery or purchased stock photos.</li> <li>6. Communications manager reviews all work.</li> <li>7. MPM sends final to Life company for sign off. May have up to 3 revisions.</li> <li>8. Communications specialist sends email with link.</li> </ol>	Quarterly	50 hours (25 per newsletter)	marketing project manager, writer, graphic designer, communications manager, communications specialist	12 mos	<p>Cost does not include print labor, printing supplies, or postage. Does not include cost of images.</p> <p>If Sales Connections continues, Spark will need to adopt a new name and logo as it's part of a family of UFG newsletters.</p>	Staff -hrly fixed rate
Corporate Marketing	36	Monthly bulletins	<p>2 Bulletins -one page template - Interest Rate Bulletin and Peace of Mind</p> <ol style="list-style-type: none"> <li>1. Marketing project manager (MPM) receives updated information, establishes a new project, and assigns it to a designer.</li> <li>2. Graphic designer makes changes in the template.</li> <li>3. Communications manager reviews all work.</li> <li>4. MPM sends final to Life company for sign off.</li> <li>5. Communications specialist sends email with link.</li> </ol>	Monthly	12 hours (6 per bulletin)	marketing project manager, designer, communications manager, communications specialist	12mos	Cost does not include print labor, printing supplies, or postage.	Staff -hrly fixed rate
Corporate Marketing	37	Monthly newsletter	<p>1 Monthly newsletters - Slice of Life</p> <ol style="list-style-type: none"> <li>1. Marketing project manager (MPM) receives a creative brief from the Life company, establishes a new project, and assigns it to a creative team – writer and designer.</li> <li>2. Writer creates content.</li> <li>3. Graphic designer creates a layout. May use proprietary imagery or purchased stock photos.</li> <li>4. Communications manager reviews all work.</li> <li>5. MPM sends final to Life company for sign off. May have up to 3 revisions.</li> <li>6. Communications specialist sends email with link.</li> </ol>	Monthly	8 hours	marketing project manager, writer, graphic designer, communications manager, communications specialist	12 mos	Cost does not include print labor, printing supplies, or postage.	Staff -hrly fixed rate
Corporate Marketing	38	Forms	<p>Forms - updated existing forms and create new ones.</p> <ol style="list-style-type: none"> <li>1. Marketing project manager (MPM) receives a creative brief from the Life company, establishes a new project, and assigns it to a designer. May include a writer if the change request will include original content.</li> <li>2. Graphic designer creates form and converts it to PDF.</li> <li>3. Designer add PDF form fields.</li> <li>4. MPM sends final to Life company for sign off. May have up to 3 revisions.</li> <li>5. Communication specialist sends email with link to new form.</li> </ol>	varies	Average 10 hours per month	Marketing project managers, graphic designer, communications manager, communications specialist. May include a writer, depending on the request	12 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Corporate Marketing	39	Videos	Videos 1. Marketing project manager (MPM) receives a creative brief from the Life company, establishes a new project, and assigns it to a creative team – script writer and videographer. 2. Team download meeting to conceptualize the message (optional) 3. Create a storyboard and present to Life 4. Write script 5. Hire professional voice over (~\$300 per video) 6. Create the video 6. Communications manager reviews all work. 7. MPM sends video link to Life company for sign off. 8. Communications specialist distributes email with video link.	On demand	50-100 hours per video	marketing project manager, writer, graphic designer, communications manager, communications specialist	12 mos	Does not include the cost of copyrighted background music or professional voice overs	Staff -hrly fixed rate
Corporate Marketing	40	Email announcements	General email announcements to agents covering range of topics such as staff changes, new procedures, CE training classes, webinars, special marketing announcements, etc.	on demand	Average 10 hours per month	marketing project manager, Communications specialist	12 mos		Staff -hrly fixed rate
Corporate Marketing	41	One-off project requests	One-off PDF or printed marketing materials. Common examples are new products, special events or contests, and additional incentive trip information. . Marketing project manager (MPM) receives a creative brief from the Life company, establishes a new project, and assigns it to a creative team – writer and designer. 2. Team download meeting to conceptualize the message. 3. Presentation of conceptual plans to Life company 4. Writer researches the subject, interviews subject matter experts and writes the content 5. Graphic designer creates a layout. May use proprietary imagery or purchased stock photos. 6. Communications manager reviews all work. 7. MPM sends final to Life company for sign off. May have up to 3 revisions. 8. Communications specialist sends email with link.	on demand - average 2 per month	Average 20 hours per month.	marketing project manager, writer, graphic designer, communications manager, communications specialist	12 mos		Staff -hrly fixed rate
Facilities	42	Rent - Physical office space	Monthly office rent to include physical space, electricity, cleaning, etc. Maintaining facility needs(fixing/light changes/etc) and security services. Daily office cleaning by third party cleaning Compliance/ergonomics/incident reporting/work comp  Most transferred employees are located on the third floor of the Security Building, and arrangements will be made to segregate any transferred employees located elsewhere.”  Separate lease agreement on Iowa State Bar Assoc. Form 164	monthly		Building - There will be a separate lease agreement.	Day 1	Same charge as today. Lease will be 24 months.	\$13,000/mo flat rate
Facilities	43	Parking	United Life Employees charged for parking in UFG parking ramp. NewCo to be charged monthly parking fee per United Life employee using parking ramp	monthly		31 ULIC employes park in UFG Parking Ramp	Day 1		UFG Parking Ramp fee @ \$42 each
Finance	44	Finance Monthly Reporting	Processing trade verifications in iWorks (investment tracking software) as they happen		52 hrs per month - ongoing	Financial Analyst	12 mos		Staff -hrly fixed rate



**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Finance	45	Finance Monthly Reporting	Processing and accumulating for journaling United Life cash transfer transactions		8 hours per month	Financial Analyst	15 mos		Staff -hrly fixed rate
Finance	46	Finance Monthly Reporting	Producing month end close entries 1. Running reports from the iWorks investment system 2. Downloading report information into Excel spreadsheets 3. Once information is verified process auto post from iWorks to General Ledger.		40 hours per month	Financial Analyst	15 mos		Staff -hrly fixed rate
Finance	47	Finance Quarterly Reporting	(First, Second and Third Quarters) in addition to the monthly reporting Provides information for the quarterly report to regulators 1. Prepares investment schedules 2. Prepares interrogatory information 3. Prepares ownership information 4. Prepares any other miscellaneous information required for the notes to the filings		24 hours quarterly	Financial Analyst	15 mos		Staff -hrly fixed rate
Finance	48	Finance Annual Reporting	Provides additional information for the Annual report to regulators 1. Prepares investment schedules 2. Prepares interrogatory information 3. Prepares ownership information 4. Prepares any other miscellaneous information required for the notes to the filings		48 hours annually	Financial Analyst	15 mos		Staff -hrly fixed rate
Finance	49	Finance Quarterly Reporting	Review quarterly Statutory filing	Quarterly	4 hours quarterly	AVP, Officer	15 mos		Staff -hrly fixed rate
Finance	50	Finance Annual Reporting	Review annual Statutory Blue Book filing	Annual	8 hours annually	AVP, Officer	15 mos		Staff -hrly fixed rate License cost
Finance	51	Finance Annual Reporting	Review annual Statutory Audit	Annual	8 hours annually	AVP, Officer	15 mos		Staff -hrly fixed rate
Finance	52	Finance Annual Reporting	Review annual financial projections	Annual	4 hours annually	AVP, Officer	15 mos		Staff -hrly fixed rate
Finance	53	Finance Quarterly Reporting	Quarterly review meetings with management, external auditors and actuary	Quarterly	2 hours quarterly	AVP, Officer	15 mos		Staff -hrly fixed rate
Human Resources	54	General HR Services	Employee relations / administration / consultation / staffing / compensation/reviews/fleet vehicles/flex schedule administration/intern program	Daily as needed		Generalist/Recruiter/Director	Day 1		Staff -hrly fixed rate
Human Resources	55	Employee Relations	One on one discussions/assistance, employee appreciation week, TGWMI planning, retiree luncheons, holiday meals, company store	Daily as needed		Generalist/Recruiter/Director	Day 1		Staff -hrly fixed rate
Internal Audit	56	Internal Audits	Internal Auditing, consultation			Internal Auditors	12 mos		Staff -hrly fixed rate
Investments	57	Investments	Enter trades into FIS (SunGard iWorks) Investment Accounting system and notify NT (Northern Trust) to settle trade	Variable, As they occur	30 minutes per transaction	Investment Accounting Manager Mart Campbell	3 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Investments	58	Cash Management	Monitor CRBT (Cedar Rapids Bank & Trust) and NT bank balances and activity	Daily	30 minutes	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	59	Cash Management	1. Move dollars from/to checking/investment savings at CRBT (book transfers) 2. Move dollars from/to CRBT/NT (wire transfers)	Variable, As necessary	15 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	60	Cash Management	Monitor NT RAS (Retained Asset System) funding requirements for the day from NT reporting and balance/reconcile previous day funding activity	Daily	15 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	61	Cash Management	Calculate an estimate of investable cash	Weekly	30 minutes	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	62	Regulatory	Prepare Balance Sheets for State of Iowa showing what is on deposit/pledged for Legal Reserve requirement	Monthly	1.5 hours	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	63	Investment Accounting	Electronically obtain, via FIS and ICE (Ice Data Services (formerly Interactive Data Services)) Factors, Dividends, Ratings and Prices	Monthly	See comments	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	64	Investment Accounting	Electronically obtain, via FIS and ICE, Prepayment speeds for MBS/CMO securities, etc.	Quarterly	See comments	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	65	Investment Accounting	Electronically obtain, via FIS and ICE, Cashflows for MBS/CMO securities, etc.	Yearly	See comments	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	66	Investment Accounting	Reconcile "miscellaneous" ratings (Kroll, DBRS, Egan Jones, and AMBest) from Bloomberg with FIS system and enter updates	Monthly	See comments	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	67	Investment Accounting	Prepare Other Invested Assets (Sch BA securities) worksheet showing cost, market value and income. Updating for activity in month.	Monthly	1 hour	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	68	Investment Accounting	Review month-end Schedule D's looking at NAIC Designations and reviewing for Compliance with Iowa Code (511.8)	Monthly	2 hours	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	69	Investment Accounting	Review Schedules B & BA	Quarterly	15 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	70	Investment Accounting	Provide input/Review General Interrogatories	Quarterly	30 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	71	Investment Accounting	Review NAIC Wash Sales for statutory reporting	Quarterly	15 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	72	Regulatory	Support/Research STAT/GAAP questions that arise	As requested	As needed	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	73	Investment Accounting	Monitor line-of-business asset allocation comparing information from actuary (Brad Simanek @ Grifith Ballard) with reports from FIS.	Quarterly	1 hour	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	74	Investment Accounting	Do a Line-of-Business Gains/Losses worksheet	Monthly	30 minutes	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Investments	75	Investment Accounting	Review FIS scrub report for purchases and make necessary corrections	Monthly	Varies	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	76	Investment Accounting	Review Northern Trust Capital Changes activity and make necessary updates to FIS	Monthly	Varies by activity, if any	Investment Accounting Manager Mart Campbell	12 mos	Currently done at same time as all other UFG Companies	Staff -hrly fixed rate
Investments	77	Regulatory	Place/Replace/Monitor Statutory deposits in various states	As needed	Varies by activity	Investment Accounting Manager Mart Campbell	12 mos		Staff -hrly fixed rate
Investments	78	Investments	Duties performed by Chief Investment Officer and Portfolio Manager	Daily	50% P&C, 50% Life	Chief Investment Officer Portfolio Manager	3 mos		Staff -hrly fixed rate
Legal	79	Legal Support	Legal consultation on claims and contract review	As needed		Neal Scharmer	12 mos		Staff -hrly fixed rate
Payroll	80	Reporting	Reports ran	Weekly/Monthly		Payroll Specialist/Mgr	12 mos		Staff -hrly fixed rate
Payroll	81	Payroll Administration	Semi-monthly payroll processing/deductions/taxes/etc	Semi-monthly		Payroll Specialist/Mgr	12 mos		Staff -hrly fixed rate
Payroll	82	Payroll HRIS System	Administration of system/changes/etc	Daily		Payroll/HRIS Mgr	12 mos		Staff -hrly fixed rate
Payroll	83	W2/1095 Forms	Prepare and distribute required documents	Annual		Payroll/HRIS Mgr	15 mos		Staff -hrly fixed rate
Postal	84	Imaging/Indexing	Daily Imaging/Indexing of incoming documents (apps, service forms, etc.)	Daily		Imaging Staff	24 mos		Staff -hrly fixed rate
Postal	85	Mail Services	Collection & distribution of mail / shipping & receiving / postal and shipping expenses	Daily		Postal Center Staff	24 mos	coincide with building lease?	Staff -hrly fixed rate postage cost
Supply	86	Paper/Office Supplies	Office Supplies (paper, equipment, ink)	Daily		Supply staff	Day 1	New Co to pay for supplies	Staff -hrly fixed rate
Supply	87	Print Shop	Perform print jobs as requested	Weekly		Supply staff	12 mos		Staff -hrly fixed rate cost of paper
Supply	88	Shipping/Receiving	Shipping and receiving for UPS/FedEx/etc.	Daily		Supply staff	24 mos	Building lease will be 24 months.	Staff -hrly fixed rate Shipping cost
Tax	89	Tax Reporting/Form creation	Creation of new Tax forms based on publication 1220 for: 1099MISC, 1099R, 1099INT, 1099LTC, 5498	Annual	20-25 hrs	Addy Turner's Team (AST-Automated Support Technician) Corp Underwriting	18 mos		Staff -hrly fixed rate
Tax	90	Tax Reporting/Filing	2017 SPARK Federal Income Tax Calculation/Extension (Included in Consolidated Extension)	Extension Due Date: April 15, 2018	1 hour	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	91	Tax Reporting/Filing	2017 SPARK Short Period Federal Income Tax Return (as part of the Consolidated Return)	Extended Tax Return Due Date: October 15, 2018	64 hours	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Tax	92	Tax Reporting/Filing	2017 State Income Tax Calculations/Extensions (Prepare the information for) Illinois-->SPARK portion as part of Unitary filing; Louisiana, Mississippi, and Florida-->separate filings, as applicable	Various	1.5 hour	Financial Acctg Mgr	18 mos		Staff -hrly fixed rate
Tax	93	Tax Reporting/Filing	2017 State Income Tax Returns (Prepare the information for) Illinois-->SPARK portion as part of Unitary filing; Louisiana, Mississippi, and Florida --> separate SPARK filings	Various	16 hours	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	94	Tax Reporting/Filing	2017 SPARK Quarterly Federal Income Tax Prepayment Calculations (as part of Consolidated calculation)	Quarterly	1 hour per quarter	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	95	Tax Reporting/Filing	2017 Quarterly State Income Tax Prepayment Calculations-->Illinois-->SPARK portion as part of Unitary filing; Louisiana, Mississippi, and Florida--> separate filings	Quarterly	1 hour per quarter	Financial Acctg Mgr	18 mos		Staff -hrly fixed rate
Tax	96	Tax Reporting/Filing	Statutory Current Federal Income Tax Calculations 1)Book to taxable income calculation	Monthly	1.5 hour per month	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	97	Tax Reporting/Filing	Statutory Deferred Federal Income Tax Calculations? 1)Calculation of Deferred Tax Inventory balances 2)Calculation of Admitted/Nonadmitted balances 3)With and Without reversal calculation	Monthly	1.5 hour per month	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	98	Tax Reporting/Filing	Monthly State Income Tax Accrual 1)Calculation of individual state income tax accruals	Monthly	1 hour per month	Financial Acctg Mgr	18 mos		Staff -hrly fixed rate
Tax	99	Tax Reporting/Filing	GAAP Current Federal Income Tax Calculations 1)Calculation of GAAP income tax accrual/expense	Quarterly	1.5 hours per quarter	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	100	Tax Reporting/Filing	GAAP Deferred Income Tax Calculations 1)Calculation of GAAP deferred income tax balances	Quarterly	1.5 hours per quarter	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	101	Tax Reporting/Filing	File 2016 Capital Loss and NOL carryback claims	4th quarter--2017	Informational--2016 tax year	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	102	Tax Reporting/Filing	File 2016 Federal Income Tax Return	October 15, 2017	Informational--2016 tax year	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	103	Tax Reporting/Filing	Provision to Return Analysis for 2016	4th quarter--2017	Informational--2016 tax year	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Tax	104	Tax Reporting/Filing	File 2016 State Income Tax Returns	September through November, 2017	Informational--2016 tax year	Financial Acctg Mgr	18 mos		Staff -hrly fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology	105	Vendor Management	Manage vendor relationship, renewals, assess new vendors	As Needed		Dave Schoettmer	24 mos		Staff -hrly fixed rate
Technology	106	PMO	Project Management tasks for technology projects both Life Governing body and IS projects	Daily	2 hrs daily	Program Mgr, PM	24 mos		Staff -hrly fixed rate
Technology	107	PMO	Manage Life Project Portfolio. From initial request, managing Roadmap and governing Body to overseeing all Life projects. Secure resources, scheduling of projects, monitor projects	Daily	1 hr daily	Program Mgr	24 mos		Staff -hrly fixed rate
Technology	108	PMO	Management duties for Business Analysts in PMO and Life Co working on Life technology projects	Daily	2 hrs weekly	Program Mgr	24 mos		Staff -hrly fixed rate
Technology	109	PMO	Development of Business Requirements for technology projects assigned	Daily	6 hrs daily	Business Analyst	24 mos	1 BA is dedicated resource to Life	Staff -hrly fixed rate
Technology	110	PMO	Business Analysts research til resolution Life Company Production Support issues	Weekly	2 hr weekly	Business Analyst	24 mos		Staff -hrly fixed rate
Technology	111	PMO	Create Test plans, test matrix and perform system testing for technology projects	Daily	6 hrs daily	Quality Assurance Analyst	24 mos	1 QA is dedicated resource to Life	Staff -hrly fixed rate
Technology	112	PMO	Complete release notes, implementation documents for technology projects being released to production	Monthly	2 hrs	Business Analyst	24 mos		Staff -hrly fixed rate
Technology	113	PMO	Production validation when technology projects released to production	Monthly	3 hrs (total)	Business Analyst or Quality Assurance Analyst	24 mos		Staff -hrly fixed rate
Technology	114	Help Desk	Receive and log all production problems such as system issues, printer issues, phone issues, etc.	Daily		Help Desk	24 mos		Staff -hrly fixed rate
Technology	115	Web Site	Life URL's				24 mos		IT Separation  New Project Support
Technology	116	Web Site - Public	Public Site - Find an Agent - Pay my Bill (Express Bill Pay) - Paymentus Insurance > Individual > Life Ins Life portal: - Change address - Find a form - Report a claim / Report your claim online				24 mos		IT Separation  New Project Support - staff fixed rate

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Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology	117	United Life Processing Applications	Internally Develop and supported. Day to Day support and enhancements to Life Internal Systems			PMO: PM, BA, QA IS: Life Developers, SQL, Tech Services, Operations	24 mos		New projects: enhancements/support Staff -hrly fixed rate
Technology	118	Development Tools	Mpact Microfocus Cobol Visual Studio ABCPDF - PDF Rendering			IS: Life Developers	24 mos		IT Separation  New Project Support-staff fixed rate
Technology	119	Database Administration - SQL	SQL Server = CRSQLEPROD01				24 mos	see scott's detail list for DB	IT Separation  New Project Support- Staff - hrly fixed rate
Technology	120	SQL Virtualization	Delphix				24 mos		IT Separation  New Project Support-staff fixed rate
Technology	121	Net Vault					24 mos		IT Separation  New Project Support-staff fixed rate
Technology	122	Disaster Recovery	Involta				24 mos		IT Separation  New Project Support-staff fixed rate

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Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology Support	123	Help Desk	First point of contact on all issues related to systems, printers, phones, user request, production issues	Daily	Approx 40 tickets related to Life systems. PG needs to confirm what this does and doesn't include	IS: Help desk, IS/PMO staff as needed	24 mos		Staff -hrly fixed rate
Technology Support	124	Telephone	Administration of phone system/support	As Needed		IS Tech Services Cathy Halverson	24 mos		Staff -hrly fixed rate
Technology Support	125	Technical Services	Technical service support for desktop services, local printers, integrations, Synergy, Image Right, server support - Day to Day support	Daily-As needed		IS Tech Services	24 mos		IT Separation  New Project Support-staff fixed rate
Technology Support	126	Operational Processing	Life Administration daily, weekly, monthly, yearly processing for Life Systems	Daily-As needed		IS Operations	24 mos		IT Separation  New Project Support-staff fixed rate
Technology Support	127	IS Development Management	Management of Life Developers (1on1's, review, coach, mentoring)	Daily		Brian Frese	24 mos		Staff -hrly fixed rate
Technology Support	128	Security Administration	Consultation and direction of security practices as it relates to Life Company	As Needed		Security Team	24 mos		Staff -hrly fixed rate
Technology Support	129	Enterprise Architecture	Consultation of Architecture for Life System	As Needed		Scott Minkel	24 mos	Will be involved during entire transition	Staff -hrly fixed rate
Technology-Hardware	130	Hardware / OS Software	Life Server CRSQLPROD01 Server (SQL) Xerox DT180 HLC Xerox D125 EMC VNX - Storage Platform EMC Vmax - Storage Platform				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Hardware	131	Quoting & E-App Servers	Dedicated server for Network Microdesign programs (quoting, New Business Issue and Deferred Annuity E-App)				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Hardware	132	Mainframe Printing	Xerox DT180 HLC				24 mos	Printer shared with P&C	IT Separation  New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Hardware	133	Workgroup Printers	Access Systems (Lease / Maintenance) Local printers residing in Life Company				Day 1	Transfer lease	Printer Leases  IT Separation  New Project Support-staff fixed rate
Technology-Post Processing	134	Postal Center Services	Insertion (manual / automated) Mailing Postage				12 mos		Pass through charge Staff -hrly fixed rate
Technology-Software	135	Web Site - Agent	Agent Only - Life User Authentication				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	136	Web Site - Agent	Product changes and enhancements for Quoting all Products via web Jointly developed between UFG and Network Micro designs (NMC)			IS: SQL, Web PMO: PM, BA, QA NMC	24 mos	New projects: enhancements/support	Staff -hrly fixed rate
Technology-Software	137	Web Site - Agent	Reproposals changes/support on Universal Life (UNI3) development by Network Micro Designs (NMC)			PMO: PM, BA NMC	24 mos	New projects: enhancements/support	Staff -hrly fixed rate
Technology-Software	138	Web Site - Agent	Support of Deferred Annuity E-App (Network Micro Designs)			PMO: PM, BA NMC	24 mos	New projects: enhancements/support	Staff -hrly fixed rate
Technology-Software	139	Web Site - Agent	Support of Graded Benefit Whole Life E-App			PMO: PM, BA IS: SQL, Web	24 mos	New projects: enhancements/support	Staff -hrly fixed rate
Technology-Software	140	Web Site - Agent /New Business Issue	Support of New Business Issue processing - combination of Uquote and Web Quote			IS: SQL, Web PMO: PM, BA, QA NMC	24 mos	New projects: enhancements/support	Staff -hrly fixed rate
Technology-Software	141	Web Site - Agent	Doc Library/New Business Builder- shared with P&C?. Also includes Administration tool to update forms.	Daily			24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	142	Web Site - Agent	Umail - within Agent site, agents can do secure email into home office and attach documents	Daily		Agents	24 mos		IT Separation  New Project Support-staff fixed rate



**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	143	Web Site - Agent	Calculators on web site				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	144	Source Control	GIT / TFS				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	145	Life Rates / Quoting Services	Network Micro Designs				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	146	Online Payment Services	Paymentus				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	147	EFT Processing Services	CRBT - Cedar Rapids Bank & Trust				24 mos	Include Vanco, project kick-off 4Q2017	IT Separation  New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	148	Lexis Nexis Services	Predictive Analytics: Instant ID, Life Risk Classifier DMF hits 2 times per year. To verify addresses or random identity issues.	DMF- 2x yr Instant ID/Life Risk = Daily			24 mos	Predictive Analytics - Currently project being worked on	IT Separation  New Project Support-staff fixed rate
Technology-Software	149	Tax Year Reporting (IRS and State filings)	Shared programs between Life & P&C for creation of 1099 MISC for paper and e-filings for IRS and State. Life company only for other forms for IRS and state filings. Internally developed	January, February, March, April, May, July, Sept.		PMO: PM, BA IS: Life Developers, Tech Services	24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	150	Project Management	Workfront UFG Wiki (confluence) - Tech Designs, tec documentation Lucid Chart SnagIt			All IS & PMO	24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	151	Productivity Software	Microsoft Office - STD / Professional Adobe Standard/Professional			All UFG	24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	152	General Ledger	Sungard EAS				24 mos		IT Separation  New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	153	Accounts Payable	Sungard EAS				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	154	Investments	Sungard iWorks			Investments	24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	155	Expense Reporting	Concur				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	156	Benchmarking Services	Ward Financial Group - Vendor/Service	Annually		United Life Staff-Acctg	Day 1		no cost
Technology-Software	157	HR Benefit Vendor Systems	Wellmark Site - vendor HSA Bank Site - vendor Discovery Benefits? - vendor Delta Dental - vendor Schwab Site - vendor ComputerShare Site - vendor Virgin Pulse - vendor				Day 1		no cost
Technology-Software	177	UFG HR System	Vista PDS - HR Mgmt systems				12 mos		IT Separation  New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	158	Documentation Management	Image Right				24 mos	See Scott's detail list for fold	IT Separation New Project Support-staff fixed rate
Technology-Software	159	Report Repository/Viewing	Jack Henry-Synergy				24 mos	see scott's detail list	IT Separation New Project Support-staff fixed rate
Technology-Software	160	Print Processing	Solimar				24 mos		IT Separation New Project Support-staff fixed rate
Technology-Software	161	Policy Forms Creation	Elixir - Design Pro Tools Design of policy forms (exclusion of dec page and illustration page)				24 mos		IT Separation New Project Support-staff fixed rate
Technology-Software	162	Mainframe Print Generation	FTPXRX / PRTXRX ?				24 mos		IT Separation New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	163	Fax Services	Concord Technologies				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	164	Active Directory	Users / User Groups / Domain				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	165	Email announcements	MS Exchange Mimecast - email archive				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	166	Network	IP Ranges (DHCP) Network Segmentation VPN / Segregation Wireless Network Segmentation				24 mos		IT Separation  New Project Support-staff fixed rate
Technology-Software	167	Phone System	800 Numbers - transfer to new co DIDs IP Voicemail Cell Phones				24 mos		IT Separation  New Project Support-staff fixed rate

**SPARK TSA Schedule (Transitional Services Agreement) --- Included Services**

Area/Function	TSA #	TSA Area	Service Description	Frequency	ULIC Estimate/effort	UFG resource	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Technology-Software	168	Mobile Application	Quoting, Policyholder contact info, Basic inforce policy Data			PMO: PM, BA, QA IS: Web Development Jarus	24 mos		IT Separation  New Project Support-staff fixed rate
Training	169	Internal Training/Tuition Reimbursement	Corp trainers would handle corp related training sessions as it relates to facilities (safety, etc.). As being a occupant of the rented space, there may be UFG building training that may be needed. Note: Majority of training conducted by the business.	As Needed		Trainers	12 mos		Staff -hrly fixed rate
Treasury Services/Other	170	Treasury Services/Other	Administer Cedar Rapids Bank and Trust banking system user access for staff	As needed	minimal	AVP Treasury & Tax	12 mos		Staff -hrly fixed rate
Treasury Services/Other	171	Treasury Services/Other	Form 1099 Mismatch IRS notices	As needed	Informational--IRS notice is usually for prior years	AVP Treasury & Tax	18 mos		Staff -hrly fixed rate
Treasury Services/Other	172	Treasury Services/Other	Unclaimed Property Filings 1)Typically twice a year using EagleTM UPEXchange system	Per state deadlines	4 hours	Financial Analyst	15 mos		Staff -hrly fixed rate
Treasury Services/Other	173	Treasury Services/Other	Sales and Use Tax Filings for Iowa	Quarterly	1/2 hour per filing	Financial Acctg Mgr	12 mos		Staff -hrly fixed rate
Technology	174	IT Systems Separation	Services provided to create separate Spark company				24 mos		IT Separation  New Project Support-staff fixed rate

**SPARK TSA (Transitional Services Agreement) --- Excluded Services**

Area/Function	TSA #	TSA Area	Excluded Service Description	Frequency	ULIC Estimate/effort	UFG resource	UFG Rank	Spark Rank	Duration from Closing UFG to provide the service	Comments	Cost Drivers
Benefits	E1	Open Enrollment/Renewal Negotiations	Benefit meetings/presentation, open enrollment, negotiations to get employees best benefit for the best cost	Annual		Benefits Mgr/Spec.					
Facilities	E2	Office Equipment	Office Equipment, furniture, phones, computers, local printers. Office equipment/ furniture /phones, computers								
Switchboard	E3	Switchboard	Routing of calls to UL employees from switchboard	Daily		Switchboard operator					no charge
Accounting	19	Webinars/Trainings	Attend webinars and trainings on 1099 reporting, Fed WH, State WH, Unclaimed Property , Used Tax, etc to stay current on laws and best practices	As needed	5-10 hrs/yr	Treasury Supervisor	Low	LOW			no charge

Area/Function	UFG Contacts	Date Rec'd / status
Compliance/Legal	Neal Scharmer	
Finance / Accounting Tax	Dawn Jaffray	n/a
	Randy Patten	rec'd 8/25/17 - need software list & costs
	Jan Martin	Rec'd 8/24/17
	Karen Reznicow	Met - due date 8/31
	Kevin Helbing	Rec'd 8/14/17
Human Resources Building/Maintenance Postal Center printing	Tracy Bastain	Rec'd 8/30/17
Investments	Barry Ernst	
	Bob Cataldo	
	Mart Campbell	Rec'd 8/31/17
Technology (IS/PMO)	Brian Frese	Rec'd 8/31/17
	Scott Minkel	Rec'd 8/31/17
	Phyllis Gogel	Rec'd 8/31/17
Corp Marketing	Colleen Sova	Rec'd 8/29/2017
Internal Audit	TBD	



**Schedule 3.5**

**Migration Plan**

**[Parties to negotiate this schedule in good faith before the signing of this Agreement.]**

**UNITED LIFE INSURANCE COMPANY  
BALANCE SHEET**

<b>Assets</b>	<b>06/30/2017</b>	<b>12/31/2016</b>	<b>Change</b>	<b>%</b>
Bonds	\$ 1,418,770,622	\$ 1,429,360,906	\$ (10,590,284)	-0.7%
Preferred Stock	-	-	-	0.0%
Common Stock	21,477,790	24,045,599	(2,567,809)	-10.7%
Mortgage Loans	3,572,845	3,706,440	(133,595)	-3.6%
Real Estate	-	-	-	0.0%
Cash	24,487,578	9,667,784	14,819,794	153.3%
Short-term Investments	649,730	11,991,565	(11,341,835)	-94.6%
Policy Loans & Liens	5,498,648	5,365,985	132,663	2.5%
Other Invested Assets	15,895,040	15,870,436	24,604	0.2%
<b>Total Cash &amp; Invested Assets</b>	<b>1,490,352,253</b>	<b>1,500,008,715</b>	<b>(9,656,462)</b>	<b>-0.6%</b>
Accrued Investment Income	11,270,327	11,439,204	(168,877)	-1.5%
Uncollected Premium	145,686	160,879	(15,193)	-9.4%
Deferred Premium	6,281,538	5,858,583	422,955	7.2%
Reinsurance: Amounts Recoverable	155,632	148,545	7,087	4.8%
Federal Income Tax Recoverable	303,433	776,265	(472,832)	-60.9%
Deferred Tax Asset	4,802,995	6,071,830	(1,268,835)	-20.9%
Guaranty Funds Receivable/on Deposit	63,434	61,849	1,585	2.6%
All Other Recoverables	42,165	33,588	8,577	25.5%
<b>Total Assets</b>	<b>\$ 1,513,417,463</b>	<b>\$ 1,524,559,458</b>	<b>\$ (11,141,995)</b>	<b>-0.7%</b>
<b>Liabilities, Capital &amp; Surplus</b>				
Aggregate Life/Annuity Reserves	\$ 1,215,592,664	\$ 1,234,883,708	\$ (19,291,044)	-1.6%
Aggregate A&H Reserves	6,469,686	6,455,273	14,413	0.2%
Deposit Type Contracts	113,506,872	111,633,163	1,873,709	1.7%
Policy/Contract Claims: Life	2,934,704	2,687,580	247,124	9.2%
Policy/Contract Claims: A&H	448,560	461,870	(13,310)	-2.9%
Premiums Paid in Advance	57,688	80,320	(22,632)	-28.2%
Reinsurance Ceded	624,408	642,135	(17,727)	-2.8%
Interest Maintenance Reserve	1,960,554	1,823,599	136,955	7.5%
Commissions Payable	457,888	1,863,146	(1,405,258)	-75.4%
General Expenses Payable	5,364,034	5,040,309	323,725	6.4%
Taxes, Licenses, & Fees Payable	(107,910)	340,590	(448,500)	-131.7%
Federal Income Taxes Payable	-	-	-	0.0%
Amounts Withheld/Retained by Co as Agt	94,692	128,116	(33,424)	-26.1%
Amounts Held for Agents' Account	140,479	384,368	(243,889)	-63.5%
Unallocated Remittances	1,653,965	2,386,616	(732,651)	-30.7%
Asset Valuation Reserve	14,884,524	15,547,374	(662,850)	-4.3%
Payable to Affiliate	397,167	393,646	3,521	0.9%
Miscellaneous Payable	5,415,903	1,803	5,414,100	(>)999.0%
<b>Total Liabilities</b>	<b>\$ 1,369,895,878</b>	<b>\$ 1,384,753,616</b>	<b>\$ (14,857,738)</b>	<b>-1.1%</b>
Capital Paid-Up	\$ 5,265,000	\$ 5,265,000	\$ -	0.0%
Paid In Surplus	63,783,300	63,783,300	-	0.0%
Unassigned Surplus	74,473,285	70,757,542	3,715,743	5.3%
Special Surplus Funds	-	-	-	0.0%
<b>Total Capital &amp; Surplus</b>	<b>\$ 143,521,585</b>	<b>\$ 139,805,842</b>	<b>\$ 3,715,743</b>	<b>2.7%</b>
<b>Total Liabilities, Capital &amp; Surplus</b>	<b>\$ 1,513,417,463</b>	<b>\$ 1,524,559,458</b>	<b>\$ (11,141,995)</b>	<b>-0.7%</b>

**UNITED LIFE INSURANCE COMPANY**  
**INCOME STATEMENT**

<b>Income</b>	<b>06/30/2017</b>	<b>06/30/2016</b>	<b>Change</b>	<b>%</b>
Premium & Annuity Considerations*	\$ 54,363,971	\$ 71,163,731	\$ (16,799,760)	-23.6%
Consid for Supp Contr	2,276,593	2,795,925	(519,333)	-18.6%
Net Investment Income	24,851,489	25,659,407	(807,918)	-3.1%
Amortization of IMR	492,762	424,857	67,905	16.0%
Commission & Exp Re-Ins Ceded	165,264	168,036	(2,772)	-1.6%
Charges/Fees for Deposit-Type Contracts	317,286	280,918	36,368	12.9%
Micellaneous Income	6,681	9,778	(3,097)	-31.7%
<b>Total Income</b>	<b>\$ 82,474,046</b>	<b>\$ 100,502,652</b>	<b>\$ (18,028,606)</b>	<b>-17.9%</b>
<b>Deductions</b>				
Death Benefits	\$ 15,166,226	\$ 13,901,961	\$ 1,264,265	9.1%
Matured Endowment	10,937	7,194	3,743	52.0%
Annuity Benefits -deaths & Imm Ann Life	25,445,046	23,766,542	1,678,504	7.1%
A&H Benefits	632,825	607,085	25,740	4.2%
Surrender Benefits -Annuity & Life	46,082,019	54,381,142	(8,299,123)	-15.3%
Interest Deposit Type Contracts	1,446,951	1,442,706	4,245	0.3%
Supplemental Life Contracts	2,048,064	1,535,773	512,291	33.4%
<b>Total Benefits</b>	<b>90,832,068</b>	<b>95,642,403</b>	<b>(4,810,335)</b>	<b>-5.0%</b>
Increase in Life/Annuity Reserves	(19,291,044)	(6,371,744)	(12,919,300)	-202.8%
Increase in A&H Reserves	14,413	334,337	(319,924)	-95.7%
<b>Total Reserve Increase</b>	<b>(19,276,631)</b>	<b>(6,037,407)</b>	<b>(13,239,224)</b>	<b>-219.3%</b>
Commissions on Premium-Direct	4,838,161	7,438,336	(2,600,175)	-35.0%
Commissions on Premium-Assumed	-	-	-	0.0%
General Insurance Expense	4,145,418	4,828,025	(682,607)	-14.1%
Taxes, Licenses, Fees	572,557	877,065	(304,508)	-34.7%
Incr. In Loading Def'd Premium	113,510	58,756	54,754	93.2%
<b>Total Expenses</b>	<b>9,669,646</b>	<b>13,202,182</b>	<b>(3,532,536)</b>	<b>-26.8%</b>
<b>Total Deductions</b>	<b>81,225,083</b>	<b>102,807,178</b>	<b>(21,582,095)</b>	<b>-21.0%</b>
<b>Income Before Federal Income Tax</b>	<b>1,248,963</b>	<b>(2,304,526)</b>	<b>3,553,489</b>	<b>154.2%</b>
Less Federal Income Tax	(681,211)	(1,626,270)	945,059	58.1%
<b>Net Gain before Capital Gains</b>	<b>\$ 1,930,174</b>	<b>\$ (678,256)</b>	<b>\$ 2,608,430</b>	<b>384.6%</b>
Net Realized Capital Gain	1,517,633	(29,739)	1,547,372	(<)999.0%
<b>Statutory Net Income</b>	<b>\$ 3,447,808</b>	<b>\$ (707,995)</b>	<b>\$ 4,155,803</b>	<b>587.0%</b>
<b>Capital &amp; Surplus Analysis</b>				
Capital & Surplus, December 31, PY	\$ 139,805,842	\$ 138,854,562	\$ 951,280	0.7%
Net Income	3,447,808	(707,995)	4,155,803	587.0%
Change in Net Unrealized Capital Gain	572,711	2,333,587	(1,760,876)	-75.5%
Change in Net Deferred Income Tax	(973,701)	(404,332)	(569,369)	-140.8%
Change in Non-admitted Assets	6,076	767,354	(761,278)	-99.2%
Change in Reserve Valuation Basis	-	-	-	0.0%
Change in AVR	662,850	(2,189,335)	2,852,185	130.3%
Tax Adjustment	-	-	-	0.0%
RAR Settlement/Amendment/Int	-	-	-	0.0%
Paid in Surplus	-	-	-	0.0%
Dividends to Stockholders'	-	-	-	0.0%
Other Adjustments to Surplus	-	-	-	0.0%
<b>Total Capital &amp; Surplus</b>	<b>\$ 143,521,585</b>	<b>\$ 138,653,841</b>	<b>\$ 4,867,744</b>	<b>3.5%</b>
<b>ROE (annualized)</b>	<b>4.87%</b>	<b>-1.02%</b>		
* Includes Def Annuity Renewals of	6,550,552	10,888,735		

FINANCIAL STATEMENTS  
STATUTORY - BASIS

United Life Insurance Company  
Years Ended December 31, 2016 and 2015  
With Reports of Independent Auditors

United Life Insurance Company

Financial Statements  
Statutory-Basis

Years Ended December 31, 2016 and 2015

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## **Report of Independent Auditors**

Board of Directors and Stockholder  
United Life Insurance Company

We have audited the accompanying statutory-basis financial statements of United Life Insurance Company, which comprise the statements of assets, liabilities, and capital and surplus as of December 31, 2016 and 2015, and the related statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa (“Iowa Insurance Division”). Management also is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**



As described in Note 2, to meet the requirements of Iowa, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles are described in Note 2. The effects on the accompanying financial statements of these variances are not reasonably determinable but are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of United Life Insurance Company at December 31, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

### **Opinion on Statutory-Basis of Accounting**

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of United Life Insurance Company at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division.

*Ernst & Young LLP*

May 19, 2017

United Life Insurance Company  
Statements of Admitted Assets, Liabilities and  
Capital and Surplus – Statutory-Basis

Years Ended December 31

**2016**                      2015

*(In thousands)*

<b>Admitted assets</b>		
Cash and invested assets:		
Bonds	\$ 1,429,361	\$ 1,449,090
Common stocks	24,046	19,564
Mortgage loans	3,706	3,961
Contract loans	5,366	5,617
Short-term investments	11,992	8,846
Cash	9,668	8,107
Other invested assets	15,870	14,988
Total cash and invested assets	<b>1,500,009</b>	1,510,173
Life insurance premiums due and uncollected and agents' balances		
	6,019	5,653
Investment income due and accrued	11,439	12,393
Federal income tax recoverable	776	448
Deferred federal income tax	6,072	7,007
Other admitted assets	244	276
Total admitted assets	<b>\$ 1,524,559</b>	<b>\$ 1,535,950</b>
<b>Liabilities and capital and surplus</b>		
Liabilities:		
Aggregate reserves:		
Life policies and annuity contracts	\$ 1,234,884	\$ 1,250,492
Accident and health policies	6,455	5,905
Liability for deposit-type contracts	111,633	112,915
Policy and contract claims	3,149	2,709
Other policy and contract liabilities	722	665
Interest Maintenance Reserve	1,824	1,532
Accrued expenses and other liabilities	10,539	8,984
Asset valuation reserve	15,547	13,893
Total liabilities	<b>1,384,753</b>	1,397,095
Capital and surplus:		
Common stock (par value \$15,000; 500 shares authorized; 351 shares issued and outstanding)	5,265	5,265
Gross paid in and contributed surplus	63,783	63,783
Unassigned surplus	70,758	69,807
Total capital and surplus	<b>139,806</b>	<b>138,855</b>
Total liabilities and capital and surplus	<b>\$ 1,524,559</b>	<b>\$ 1,535,950</b>

*See accompanying notes.*



United Life Insurance Company

Statements of Operations – Statutory-Basis

	Years Ended December 31	
	2016	2015
	<i>(In thousands)</i>	
Premiums and annuity considerations	\$ 135,550	\$ 143,038
Considerations from supplementary contracts with life contingencies	6,527	4,422
Net investment income	50,975	53,269
Other income	1,859	2,429
<b>Total income</b>	<b>194,911</b>	<b>203,158</b>
Death benefits and matured endowments	26,468	22,814
Annuity benefits	45,602	44,606
Disability and accident and health benefits	1,513	1,107
Surrender benefits and other fund withdrawals	107,298	166,276
Interest and adjustments on policy or deposit-type contract funds	2,882	3,106
Payments on supplementary contracts with life contingencies	3,463	3,558
Change in aggregate reserves	(14,692)	(63,596)
<b>Total policy benefits</b>	<b>172,534</b>	<b>177,871</b>
Commission expense	14,808	13,458
General insurance expenses	9,384	10,618
Insurance taxes, licenses, and fees	1,635	1,637
<b>Total policy benefits and expenses</b>	<b>198,361</b>	<b>203,584</b>
Loss from operations before federal income tax expense and net realized capital gains	(3,450)	(426)
Federal income tax (benefit) expense	(718)	734
Loss before net realized capital losses	(2,732)	(1,160)
Net realized capital losses	(445)	(364)
<b>Net loss</b>	<b>\$ (3,177)</b>	<b>\$ (1,524)</b>

See accompanying notes.

United Life Insurance Company

Statements of Changes in Capital and Surplus – Statutory-Basis

	Years Ended December 31	
	2016	2015
	<i>(In thousands)</i>	
Capital and surplus, beginning of year	\$ 138,855	\$ 155,667
Net loss	(3,177)	(1,524)
Change in net unrealized gains	4,309	(2,835)
Change in net deferred income tax	43	1,133
Change in non-admitted assets	1,065	(1,059)
Change in asset valuation reserve	(1,654)	2,473
Dividends paid to stockholder	–	(15,000)
Other gains in surplus	365	–
Net change in capital and surplus for the year	951	(16,812)
Total capital and surplus, end of year	<u>\$ 139,806</u>	<u>\$ 138,855</u>

*See accompanying notes.*

United Life Insurance Company

Statements of Cash Flow – Statutory-Basis

	Years Ended December 31	
	2016	2015
	<i>(In thousands)</i>	
<b>Operating activities</b>		
Premiums collected, net of reinsurance paid	\$ 141,697	\$ 146,999
Net investment income received	59,001	62,665
Other income received	955	865
Benefits and losses paid, net of reinsurance recoveries	(186,793)	(241,427)
Commissions and other expenses paid	(25,693)	(23,739)
Federal income taxes paid	(15)	(1,340)
Net cash used in operating activities	(10,848)	(55,977)
<b>Investing activities</b>		
Proceeds from investments sold, matured, or repaid	222,765	404,205
Cost of investments acquired	(207,730)	(340,712)
Net decrease in contract loans	252	298
Net cash provided by investing activities	15,287	63,791
<b>Financing and other activities</b>		
Net (withdrawals) deposits on deposit-type contracts and other insurance liabilities	(1,282)	(3,975)
Dividends paid to stockholder	–	(15,000)
Other cash (used in) provided by	1,550	(14,138)
Net cash (used in) provided by financing and other activities	268	(33,113)
Net (decrease) increase in cash and short-term investments	4,707	(25,299)
Cash and short-term investments, beginning of year	16,953	42,252
Cash and short-term investments, end of year	\$ 21,660	\$ 16,953

See accompanying notes.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

December 31, 2016 and 2015

#### Note 1. Organization

United Life Insurance Company (the “Company”, or “our”, or “us”, or “we”) is an Iowa domiciled legal reserve stock life insurance company and is licensed in 37 states, primarily in the Midwest and Western United States. The Company underwrites and markets ordinary life insurance (primarily universal life, single premium whole life and term life) and annuities (primarily single premium) to individuals and groups through independent agencies. Approximately 66.0 percent of direct premiums in 2016 were written in five states: Iowa, Minnesota, Wisconsin, Illinois, and Nebraska.

The Company is wholly owned by United Fire & Casualty Company (the “Parent”) which is the lead insurance company of the publicly held corporation, United Fire Group, Inc., an Iowa corporation. United Fire & Casualty Company owns 100 percent of seven other subsidiaries: Addison Insurance Company, Financial Pacific Insurance Company, Lafayette Insurance Company, Mercer Insurance Company, UFG Specialty Insurance Company, United Fire & Indemnity Company, and United Real Estate Holdings, LLC.

In addition, Mercer Insurance Company owns 100 percent of two subsidiaries: Mercer Insurance Company of New Jersey, Inc. and Franklin Insurance Company. United Fire & Indemnity Company has one affiliate: United Fire Lloyds.

#### Note 2. Accounting Policies

##### Basis of Reporting

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa (the “Iowa Insurance Department”), which differ from U.S. generally accepted accounting principles (“GAAP”). The *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners (“NAIC”) has been adopted as a component of prescribed or permitted practices by the state of Iowa. The Iowa Insurance Department has the right to permit or prescribe specific practices that deviate from those set forth in the NAIC’s *Accounting Practices and Procedures Manual*. The Company does not use any permitted accounting practices.

Certain reclassifications have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or capital and surplus of the prior period.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The more significant variances from GAAP are as follows:

*Investments:* Investments in bonds are generally reported at cost or amortized cost, while GAAP requires that such securities be classified as held-to-maturity, available-for-sale, or trading. Under GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with unrealized gains and losses reported as a component of current operations or as a component of accumulated other comprehensive income, respectively.

Fair values of certain investments in bonds and stocks are based on values specified by NAIC rather than actual or estimated fair values.

Other-than-temporary impairment (“OTTI”) charges are reported in operations. Under GAAP, realized losses from OTTI charges on bonds attributable to a deterioration in credit are reported in operations while OTTI charges related to other factors are reported in accumulated other comprehensive income.

The Asset Valuation Reserve (“AVR”) and Interest Maintenance Reserve (“IMR”) are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of capital and surplus.

- i) The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus.
- ii) The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into operations on a straight-line basis over the remaining period to maturity based on groupings of individual securities sold in five-year bands.

Realized capital gains and losses are reported in operations, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis. Under GAAP, realized capital gains and losses are reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

*Deferred Income Taxes:* Deferred tax assets and liabilities are recognized and deferred tax assets are admitted based on prescribed limitations. Changes in deferred tax assets and liabilities are charged or credited directly to surplus. Deferred taxes do not include amounts for state taxes.

Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15 percent of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, provided certain risk-based capital thresholds are met, and (3) the amount of remaining

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted.

Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and the change in net deferred taxes is included in earnings.

*Policy Acquisition Costs:* Commissions and other costs of acquiring new business are charged to operations as incurred rather than being deferred and amortized to expense in proportion to the expected premium revenue or gross profits. The effect of the non-deferral of these acquisition costs is partially offset by the use of modified reserve valuation methods.

*Non-admitted Assets:* Certain assets designated as non-admitted assets (principally certain receivables and non-operating system software, and other assets not specifically identified as an admitted asset within the NAIC's *Accounting Practices and Procedures Manual*) are charged directly to unassigned surplus.

*Benefit Reserves:* Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioner's Annuity Reserve Valuation Method.

*Reinsurance:* The reserves for certain policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserve amounts rather than as assets as would be required under GAAP.

*Revenues:* Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

*Statements of Cash Flow:* Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and investments with initial maturities of three months or less.

If the accompanying financial statements had been prepared in conformity with GAAP, reported capital and surplus as of December 31, 2016 and 2015 would have been \$215,394 and \$205,092, respectively, and net income for the years ended December 31, 2016 and 2015 would have been \$549 and \$4,297, respectively.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

#### **Use of Estimates**

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

#### **Investments**

Investments are stated at values prescribed or permitted by the NAIC:

Bonds not backed by other loans are stated at amortized cost, except for NAIC class 6 bonds, which are stated at the lower of cost or fair value.

Preferred stocks are stated at the lower of cost or fair value.

Common stocks are stated at fair value with the related unrealized capital gains and losses reported in unassigned surplus along with any adjustment for federal income taxes.

Mortgage loans are stated at amortized cost.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at amortized cost, which approximates fair value.

Other invested assets are partially comprised of minor ownership interests in limited liability companies and are stated at values that are based on the Company's interest in the underlying audited GAAP equity of the investee. The other portion is comprised of pooled separate account funds and is stated at the estimated fair value provided by the fund managers based on the net asset values of the underlying assets of the investment. They are recorded on the equity method of accounting with no adjustments to the net asset values provided by the fund managers. Changes in the value of these investments are recorded directly to surplus and income is recorded when amounts in excess of the initial investment are distributed.

Amortization of bond premiums and accretion of bond discounts are recognized using an effective yield method. Realized gains or losses on investments sold are determined on a specific identification basis.

All single-class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations, are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective adjustment method. If we determine that a decline in fair value for these types of securities is other-than-temporary, an OTTI charge will be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and fair value of the security if we intend to sell the security or have assessed that we do not have the intent and ability to retain our investment in the security for a period of time sufficient to allow for the recovery of its amortized cost basis. However,

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

an OTTI charge will also be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and the present value of future cash flows for the security even if we do not intend to sell the security and there is an intent and ability to hold the security if we determine that we will not recover its amortized cost basis.

Our accounting policy for investment impairment recognition requires OTTI charges to be recorded when it is determined that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of the bonds or that the anticipated recovery in fair value of the common stocks will not occur in a reasonable amount of time. OTTI charges are recorded based on the fair value of the impaired investment at the measurement date and are recognized as a component of net realized capital losses. Factors considered in evaluating whether a decline in value is other-than-temporary for these types of securities include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery; and the likelihood that we will be required to sell the investment. The Company recognized OTTI charges of \$-0- in 2016 and \$1,300 on one bond in 2015.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. If any impairment is deemed other-than-temporary, the mortgage loan is written down to realizable value, and a realized loss is recognized in the statutory-basis statements of operations. There were no OTTI charges for mortgage loans in 2016 and 2015.

#### **Aggregate Reserves**

In accordance with the insurance laws under which we operate, we have actuarially computed reserves to meet our obligations on various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company's policy obligations as they are expected to occur. While we believe the liabilities for aggregate reserves are adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

We waive deduction of deferred fractional premiums upon the death of the insured and return any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Substandard reserves are determined using the present value of future benefits. Policies issued for substandard lives are charged an extra premium in addition to the regular gross premiums for the rated age.

The Tabular Interest, Tabular Less Actual Reserve Released, and the Tabular Cost, which are components of the aggregate reserving calculation, have been determined by formula as described in the NAIC *Annual Statement Instructions*. The Tabular Interest on funds not involving life contingencies has been



United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

determined by formula as described in those instructions, which is then validated by an independent calculation using appropriate valuation rates and mean liabilities.

Anticipated investment income was not utilized in the calculation of any premium deficiency reserve. Premium deficiency reserves were evaluated at December 31, 2016 and 2015. This reserve totaled \$1,862 and \$2,172 at December 31, 2016 and 2015, respectively.

The following table summarizes the primary valuation methods followed, the mortality tables used, and the interest rates assumed in computing the liabilities for aggregate life policy reserves:

<b>Valuation Method</b>	<b>Mortality Table</b>	<b>Interest Rate</b>
Commissioners reserve valuation method	1958 CSO	3 – 4 ½%
Commissioners reserve valuation method	1980 CSO	4 – 6%
Commissioners reserve valuation method	2001 CSO	3 ½ – 4 ½%
Net level premium	1958 CSO	3 – 4 ½%
Net level premium	1980 CSO	4 – 5%
Net level premium	2001 CSO	3 ½ – 4 ½%
Immediate annuity	1983 IAM	5-1/4 – 10%
Immediate annuity	a-2000	2.65 – 7%
Immediate annuity	2012 IAR	3 – 4%

**Policy and Contract Claims**

The liability for policy and contract claims is based on estimates of the costs of individual cases for losses and claims reported prior to year-end and unpaid, and also includes an estimate for losses incurred but not yet reported. These estimates are based on historical experience, along with certain assumptions about future events. Changes in assumptions for such things as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. While management believes the liability for policy and contract claims is adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

**Recognition of Premium Revenue and Related Expenses**

Premiums are recognized on the anniversary date of the policy for traditional life business (i.e., term and whole life) and as received for non-traditional life business (i.e., universal life) and annuities. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

**Allocation of Expenses**

General insurance expenses, taxes, licenses and fees, and investment expenses are allocated on a direct basis whenever possible. When not possible to allocate on a direct basis, one of the following methods is used as appropriate to the individual expense being allocated: premium collected, in-force amount, policy count or reserve amount. Inter-company agreements exist where United Fire & Casualty Company, incurs expenses for the benefit of the group. The following agreements exist: expense agreement, federal income tax agreement and investment expense allocation. These agreements require that inter-company balances be settled within 30 days. There is also a credit agreement where the Parent can borrow from the Company and/or the Company can borrow from the Parent at a fixed interest rate to facilitate cash flow.

**Note 3. Investments**

The adjusted book value and fair value of our investments in bonds and common stocks held by us at December 31, 2016 and 2015 are as follows:

	Adjusted Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>At December 31, 2016</b>				
Bonds:				
U.S. government	\$ 1,039	\$ -	\$ 30	\$ 1,009
Special revenue	62,002	492	900	61,594
Industrial and miscellaneous	1,041,837	20,685	3,817	1,058,705
Loan backed	324,483	4,896	5,798	323,581
<b>Total bonds</b>	<b>1,429,361</b>	<b>26,073</b>	<b>10,545</b>	<b>1,444,889</b>
Common stocks:				
Industrial & Miscellaneous	8,317	15,766	173	23,910
Mutual funds	193	-	57	136
<b>Total common stocks</b>	<b>8,510</b>	<b>15,766</b>	<b>230</b>	<b>24,046</b>
<b>Total</b>	<b>\$ 1,437,871</b>	<b>\$ 41,839</b>	<b>\$ 10,775</b>	<b>\$ 1,468,935</b>
<b>At December 31, 2015</b>				
Bonds:				
U.S. government	\$ 763	\$ -	\$ -	\$ 763
Special revenue	111,663	1,111	1,277	111,497
Industrial and miscellaneous	1,063,465	16,227	16,800	1,062,892
Loan backed	273,199	5,864	3,250	275,813
<b>Total bonds</b>	<b>1,449,090</b>	<b>23,202</b>	<b>21,327</b>	<b>1,450,965</b>
Common stocks:				
Industrial and miscellaneous	8,435	11,170	177	19,428
Mutual funds	193	-	57	136
<b>Total common stocks</b>	<b>8,628</b>	<b>11,170</b>	<b>234</b>	<b>19,564</b>
<b>Total</b>	<b>\$ 1,457,718</b>	<b>\$ 34,372</b>	<b>\$ 21,561</b>	<b>\$ 1,470,529</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The following is a summary of the categories of earned investment income and related expenses:

	Years Ended December 31	
	2016	2015
Investment Income:		
U.S. government bonds	\$ 2,242	\$ 2,020
Other bonds (unaffiliated)	46,950	48,822
Preferred stocks (unaffiliated)	-	193
Common stocks (unaffiliated)	626	593
Mortgage loans	221	237
Contract loans	401	431
Cash and short-term investments	129	151
Other invested assets	1,194	1,367
Aggregate write-ins for investment income	404	588
Gross investment income	\$ 52,167	\$ 54,402
Investment expenses	1,192	1,133
Net investment income	\$ 50,975	\$ 53,269

The adjusted book value and fair value of bonds by contractual maturity at December 31, 2016 are shown below. Expected maturities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Adjusted Book Value	Fair Value
Due in one year or less	\$ 50,291	\$ 50,846
Due after one year through five years	538,576	551,401
Due after five years through ten years	485,834	490,463
Due after ten years	77,915	77,542
Mortgage-backed securities	5,874	5,713
Collateralized mortgage obligations	270,871	268,924
Total bonds	\$ 1,429,361	\$ 1,444,889

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The following table summarizes information concerning the disposal of bonds and stocks:

	Years Ended December 31	
	2016	2015
Proceeds from sales, maturities and repayments - bonds	\$ 222,390	\$ 399,417
Proceeds from sales - stocks	118	4,543
	<b>\$ 222,508</b>	<b>\$ 403,960</b>
Gross realized gains from sales - bonds	\$ 1,840	\$ 57
Gross realized gains from repayments - bonds	-	2,600
Gross realized gains from sales - stocks	-	558
Gross realized gains from sales - other assets	-	3
Gross realized losses from sales - bonds	(684)	(181)
Gross realized losses from sales - stocks	-	(14)
Gross realized losses from other-than-temporary impairments - bonds	-	(1,300)
	<b>1,156</b>	<b>1,723</b>
Amount transferred to the IMR	<b>1,840</b>	2,527
Federal income tax expense	<b>(239)</b>	(440)
Net realized capital gains	<b>\$ (445)</b>	<b>\$ (364)</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

A summary of our investments in bonds and common stocks that were in an unrealized loss position at December 31, 2016 and 2015 is provided below. We believe the unrealized depreciation in value of these investments is primarily attributable to market price interest rates and not the credit quality of the issuer of the respective securities. We have no intent to sell, and it is more likely than not that we will not be required to sell, the securities until such time that the fair value recovers or the securities mature.

	Less than 12 months			Greater than 12 months			Total	
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>At December 31, 2016</b>								
Bonds:								
Government	1	\$ 30	\$ 1,009	-	\$ -	\$ -	\$ 30	\$ 1,009
Special revenue	12	\$ 900	\$ 39,913				900	39,913
Industrial and miscellaneous	92	3,124	213,107	8	693	20,977	3,817	234,084
Loan backed	46	4,691	152,314	13	1,107	25,813	5,798	178,127
<b>Total bonds</b>	<b>151</b>	<b>8,745</b>	<b>406,343</b>	<b>21</b>	<b>1,800</b>	<b>46,790</b>	<b>10,545</b>	<b>453,133</b>
Common stocks:								
Industrial and miscellaneous	1	1	10	4	172	107	173	117
Mutual funds	-	-	-	1	57	136	57	136
<b>Total common stocks</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>5</b>	<b>229</b>	<b>243</b>	<b>230</b>	<b>253</b>
<b>Total</b>	<b>152</b>	<b>\$ 8,746</b>	<b>\$ 406,353</b>	<b>26</b>	<b>\$ 2,029</b>	<b>\$ 47,033</b>	<b>\$ 10,775</b>	<b>\$ 453,386</b>
<b>At December 31, 2015</b>								
Bonds:								
Special revenue	11	\$ 788	\$ 38,785	4	\$ 489	\$ 14,960	\$ 1,277	\$ 53,745
Industrial and miscellaneous	171	11,631	437,044	14	5,169	30,838	16,800	467,882
Loan backed	26	1,201	64,379	17	2,049	52,437	3,250	116,816
<b>Total bonds</b>	<b>208</b>	<b>13,620</b>	<b>540,208</b>	<b>35</b>	<b>7,707</b>	<b>98,235</b>	<b>21,327</b>	<b>638,443</b>
Common stocks:								
Industrial and miscellaneous	-	-	-	3	177	102	177	102
Mutual funds	-	-	-	1	57	136	57	136
<b>Total common stocks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>234</b>	<b>238</b>	<b>234</b>	<b>238</b>
<b>Total</b>	<b>208</b>	<b>\$ 13,620</b>	<b>\$ 540,208</b>	<b>39</b>	<b>\$ 7,941</b>	<b>\$ 98,473</b>	<b>\$ 21,561</b>	<b>\$ 638,681</b>

We have evaluated the unrealized losses reported for all of our securities at December 31, 2016 and have concluded that the duration and severity of these losses do not warrant the recognition of an OTTI charge at December 31, 2016. Our largest unrealized loss greater than 12 months on an individual security at December 31, 2016 was \$334. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

At December 31, 2016 and 2015, various invested assets (primarily bonds) with a book value of \$1,472,804 and \$1,488,027, respectively, were on deposit with or available to insurance departments of various states to meet statutory requirements.

There were no interest rate reductions on mortgage loans during 2016 or 2015.

We do not engage in off-balance sheet, derivative or hedging activities, and there are no significant industry, credit risk, or other concentrations.

The Company invests in mortgage loans collateralized by commercial real estate. The aggregate mortgages outstanding to any one borrower do not exceed \$3,342. During 2016, no new mortgage loans were issued. At December 31, 2016, loan value of \$3,342 (90 percent) and \$364 (10 percent) of outstanding mortgage loans was located in the state of Virginia and Michigan, respectively. No mortgage loans were deemed other-than-temporarily impaired in 2016 or 2015.

*Restricted Assets*

Total restricted assets at December 31, 2016 and 2015 were \$3,373 and \$3,475.

The following table contains information regarding structured notes:

<b>CUSIP Identification</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Book/Adjusted Carrying Value</b>	<b>Mortgage- Referenced Security (Yes/No)</b>
3130A3-FP-4	\$ 2,982.00	\$ 2,990.00	\$ 2,994.00	No
78010U-EC-7	3,000	2,798	3,000	No
857477-AF-0	4,266	4,132	4,058	No
Totals	\$ 10,248	\$ 9,920	\$ 10,052	

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

**Note 4. Fair Value of Financial Instruments**

The carrying value and estimated fair value of our financial instruments reported at December 31, 2016 and 2015 are as follows:

	Years Ended December 31			
	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Bonds	\$ 1,429,361	\$ 1,444,889	\$ 1,449,090	\$ 1,450,965
Common stocks	24,046	24,046	19,564	19,564
Mortgage loans	3,706	3,895	3,961	4,237
Contract loans	5,366	5,366	5,617	5,617
Short-term investments	11,992	11,992	8,846	8,846
Cash	9,668	9,668	8,107	8,107
Other invested assets	15,870	15,870	14,988	14,988
<b>Liabilities</b>				
Annuity (accumulations)	655,521	646,764	731,442	707,190
Supplemental contracts (other than asset retention)	41,439	62,806	42,873	59,175
Structured settlements	824	1,249	875	1,208
Guaranteed investment contracts	52,934	80,228	51,814	71,516

The following methods and assumptions were used by us in estimating the fair value of our financial instruments:

*Assets*

To determine the fair value of the majority of our investments, we utilize prices obtained from independent, nationally recognized pricing services. We obtain one price for each security. When the pricing services cannot provide a determination of fair value for a specific bond or stock, we obtain non-binding price quotes from the broker-dealers with whom we have had several years of experience and who have demonstrated knowledge of the subject bond or stock. We request and utilize one broker quote per bond or stock.

We validate the prices obtained from independent pricing services and brokers prior to their use for reporting purposes by evaluating their reasonableness on a monthly basis. Our validation process includes a review for unusual fluctuations. Unusual fluctuations outside of our expectations are independently corroborated by obtaining valuations from secondary, third party services. In addition, we also randomly select securities and independently validate the valuations obtained from our third party valuation service providers. In our opinion, the pricing obtained at December 31, 2016 properly reflects the fair value of our investments.

The estimated fair value of mortgage loans is determined by modeling performed by us based on the stated principal and coupon payments provided for in the loan agreements. These cash flows are then

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

discounted using an appropriate risk-adjusted discount rate to determine the security's fair value, which is a Level 3 fair value measurement.

The estimated fair value of contract loans is equivalent to their carrying value and is classified as Level 2. No contract loans are made for amounts in excess of the cash surrender value of the related policy. In all instances, the contract loans are fully collateralized by the related liability for future policy benefits for traditional life policies and by the policyholders' account balance for non-traditional life policies.

Our other invested asset investments consist of holdings in a pooled separate account fund and a limited liability partnership fund. The estimated fair values of other invested assets are provided by the fund managers based on the net asset values of the underlying assets of the investments and are recorded on the equity method of accounting. We have not adjusted the net asset values provided by the fund managers.

In most cases, the fair value of short-term investments, cash, and investment income due and accrued approximate their carrying values due to the short-term nature of these financial instruments. In the case of short-term bonds, they are carried at book value.

#### *Liabilities*

The fair value of the liabilities for all annuity products is based upon the estimated value of the business, using current market rates, forecast assumptions and risk-adjusted discount rates, when relevant observable market data does not exist.

The fair value of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, such that our exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under the related insurance contracts. The primary purpose for matching invested assets with contract and policy liabilities is liquidity. With appropriate matching, investments will mature when cash is needed, preventing the need to liquidate other assets prematurely. Mismatches in the duration of our assets and liabilities can cause significant fluctuations in our results of operations. The average duration of our bond portfolio was 4.9 years and 5.3 years at December 31, 2016 and 2015, respectively.

SSAP No.100, *Fair Value Measurements* ("SSAP No. 100"), includes an application of a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following financial instruments are carried at fair value in the accompanying statements of admitted assets, liabilities and capital and surplus as of December 31, 2016: common stocks, and certain bonds that have been classified with an NAIC rating of 6. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (i.e., Level 1) and the lowest priority to unobservable inputs (i.e., Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the financial instrument.

We review our fair value hierarchy categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed. Transfers between



United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

levels, if any, are recorded as of the beginning of the reporting period. There were no transfers in or out of levels 1 and 2 during either 2016 or 2015.

The following is a summary of the categorization of our financial instruments measured at fair value on a recurring basis at December 31, 2016 and 2015:

	Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2016</b>				
Common stocks:				
Industrial and miscellaneous	23,910	22,066	-	1,844
Mutual funds	136	136	-	-
Short-term investments:				
Money markets	11,992	11,992	-	-
<b>Total</b>	<b>\$ 36,038</b>	<b>\$ 34,194</b>	<b>\$ -</b>	<b>\$ 1,844</b>

At December 31, 2015

Bonds:				
Industrial and miscellaneous	\$ 570	\$ -	\$ 570	\$ -
Common stocks:				
Industrial and miscellaneous	19,428	17,465	-	1,963
Mutual funds	136	136	-	-
Short-term investments:				
Money markets	8,846	8,846	-	-
<b>Total</b>	<b>\$ 28,980</b>	<b>\$ 26,447</b>	<b>\$ 570</b>	<b>\$ 1,963</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The carrying value, fair value, and categorization of the Company's financial instruments in accordance with SSAP No. 100 are as follows:

	Admitted Value	Aggregate Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2016</b>					
<b>Assets</b>					
Bonds	\$ 1,429,361	\$ 1,444,889	\$ -	\$ 1,434,928	\$ 9,961
Common stocks	24,046	24,046	22,202	-	1,844
Mortgage loans	3,706	3,895	-	-	3,895
Short-term					
Money markets	11,992	11,992	11,992	-	-
Cash	9,668	9,668	9,668	-	-
Contract loans	5,366	5,366	-	-	5,366
<b>Total Assets</b>	<b>\$ 1,484,139</b>	<b>\$ 1,499,856</b>	<b>\$ 43,862</b>	<b>\$ 1,434,928</b>	<b>\$ 21,066</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 655,521	\$ 646,764	\$ -	\$ -	\$ 646,764
Supplemental contracts (other than asset retention)	41,439	62,806	-	-	62,806
Structured settlements	824	1,249	-	-	1,249
Guaranteed interest contracts	52,934	80,228	-	-	80,228
<b>Total Liabilities</b>	<b>\$ 750,718</b>	<b>\$ 791,047</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 791,047</b>
<b>At December 31, 2015</b>					
<b>Assets</b>					
Bonds	\$ 1,449,090	\$ 1,450,965	\$ -	\$ 1,439,378	\$ 11,587
Common stocks	19,564	19,564	17,601	-	1,963
Mortgage loans	3,961	4,237	-	-	4,237
Short-term					
Money markets	8,846	8,846	8,846	-	-
Cash	8,107	8,107	8,107	-	-
Contract loans	5,617	5,617	-	-	5,617
<b>Total Assets</b>	<b>\$ 1,495,185</b>	<b>\$ 1,497,336</b>	<b>\$ 34,554</b>	<b>\$ 1,439,378</b>	<b>\$ 23,404</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 731,442	\$ 707,190	\$ -	\$ -	\$ 707,190
Supplemental contracts (other than asset retention)	42,873	59,175	-	-	59,175
Structured settlements	875	1,208	-	-	1,208
Guaranteed interest contracts	51,814	71,516	-	-	71,516
<b>Total Liabilities</b>	<b>\$ 827,004</b>	<b>\$ 839,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 839,089</b>

The fair value of the majority of our investments in common stocks has been determined using unadjusted quoted prices for identical financial instruments in active markets at the measurement date. Accordingly, these investments would be considered Level 1 securities in the fair value hierarchy.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The fair value of our investments in bonds that have been classified with an NAIC rating of 6 has been determined by management using reliance on market values obtained from independent pricing services. These investments would be considered Level 2 in the fair value hierarchy. We use a market-based approach for valuing all of our Level 2 investments except for our mortgage-backed securities, collateralized mortgage obligations and asset-backed bonds and submit them primarily to a third party valuation service provider. Any of these securities not valued by this service provider are submitted to a second third party valuation service provider. Both service providers use a market approach to find pricing for similar financial instruments. The market inputs our service providers normally seek to value our bonds include the following, listed in approximate order of priority: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The method and inputs for these investments classified as Level 2 are the same regardless of industry category, credit quality, duration, geographical concentration or economic characteristics. For our mortgage-backed bonds, collateralized mortgage obligations and asset-backed bonds, our service providers use additional market inputs to value these bonds, including the following: new issue data, periodic payment information, monthly payment information, collateral performance and real estate analysis from third parties. Our service providers prioritize inputs differently on any given day for any bond based on market conditions, and not all inputs listed are available for use in the evaluation process for each bond evaluation on any given day.

The following is a summary of the activity for Level 3 assets measured at fair value during 2016 and 2015:

	Beginning Balance	Transfers into Level 3	Realized Gain/ Loss	Unrealized Gain/ Loss	Purchases	Sales	Ending Balance
<b>December 31, 2016</b>							
Common stocks:							
Industrial and miscellaneous	\$ 1,963	\$ -	\$ -	\$ -	\$ -	\$ 119	\$ 1,844
Total	\$ 1,963	\$ -	\$ -	\$ -	\$ -	\$ 119	\$ 1,844
<b>December 31, 2015</b>							
Common stocks:							
Industrial and miscellaneous	\$ 1,978	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ 1,963
Total	\$ 1,978	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ 1,963

We purchased these Level 3 securities in the Federal Home Loan Bank (“FHLB”) of Des Moines, as a requirement to obtain membership. These securities were classified as Level 3 because there was no observable market price at December 31, 2016 or 2015. They are stated at the value provided by the FHLB with no adjustments made by management.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

#### **Note 5. Reinsurance**

We reinsure a portion of our insurance business with other insurance companies on both a pro rata and excess of loss basis. The ceding of reinsurance does not legally discharge us from primary liability under our policies, and we must pay the loss if the reinsurer fails to meet its obligation. We are contingently liable for ceded insurance in force of \$1,023,197 at December 31, 2016, of which approximately 98 percent has been ceded to five reinsurers.

Premiums ceded in 2016 and 2015 were \$3,102 and \$3,519, respectively. Ceded reserves and unpaid claims recoverable of \$4,520 and \$4,406 at December 31, 2016 and 2015, respectively, have been deducted from the related policy liabilities. Reinsurance recoveries received were \$3,358 and \$3,389 in 2016 and 2015, respectively.

Amounts recoverable from reinsurers of \$149 and \$141 were reported as a component of other admitted assets at December 31, 2016 and 2015, respectively. In management's opinion, all amounts are collectible with regard to reinsurance recoverables.

#### **Note 6. Capital and Surplus**

Under the applicable laws and regulations of the state of Iowa, we are required to maintain minimum capital stock, paid in capital and unassigned surplus of the greater of \$5,000 or the required amount of risk-based capital ("RBC") as defined by the NAIC for life insurance companies. The NAIC RBC formula establishes capital requirements based on an individual company's insurance risk, business risk, asset credit risk, and interest rate risk. The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2016 and 2015, we had adjusted capital in excess of the required capital levels.

We are required to obtain approval from the Iowa Insurance Commissioner in order to pay our only stockholder, United Fire & Casualty, a dividend if the total to be paid plus any dividends paid within the preceding twelve months exceeds the greater of 10 percent of surplus at the beginning of the year or the net gain from operations of the previous year. In the absence of unassigned surplus, no dividends may be paid. Based on these restrictions, the Company may pay dividends of \$13,981 in 2017 without approval. No dividend was paid during 2016. A dividend of \$15,000 was paid on December 7, 2015.

#### **Note 7. Federal Income Taxes**

We file a consolidated federal income tax return with our Parent and other affiliated companies. The method of allocation between the companies is subject to a written agreement, which has been approved by the Board of Directors. The amount to be allocated is based on separate return calculations with current credit provided for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2009. The Internal Revenue Service is currently conducting a routine examination of our income tax return for the 2011 tax year.

The Company performs a quarterly review of its tax positions and makes a determination whether it is more likely than not that the tax position will be sustained upon examination. If based on this review, it appears not more likely than not that the position will be sustained, the Company will calculate any unrecognized tax benefits and any interest and penalties. We have not recognized a liability for unrecognized tax benefits at December 31, 2016 or 2015 or at any time during 2016 or 2015. In addition, we have not accrued any interest and penalties related to unrecognized tax benefits. However, if interest and penalties would need to be accrued, such amounts would be recognized as a component of federal income tax expense.

The components of the net deferred tax asset recognized in the accompanying statements of admitted assets, liabilities and capital and surplus are as follows:

	Years Ended December 31					
	2016			2015		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Total of all deferred tax assets	\$ 13,155	\$ 1,227	\$ 14,382	\$ 12,662	\$ 2,116	\$ 14,778
Total of all deferred tax liabilities	2,775	5,535	8,310	2,709	4,023	6,732
Net deferred tax asset			6,072			8,046
Total non-admitted deferred tax asset			-			1,039
Total admitted deferred tax asset			\$ 6,072			\$ 7,007
Change in non-admitted deferred tax asset			\$ (1,039)			\$ 1,039

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The components of the admitted deferred tax assets are as follows:

	Years Ended December 31						Total Change
	2016			2015			
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 4,525	\$ -	\$ 4,525	\$ 6,244	\$ -	\$ 6,244	\$ (1,719)
Adjusted gross deferred tax assets expected to be realized after threshold limitation	3,004	-	3,004	763	-	763	2,241
Adjusted gross deferred tax assets allowed per limitation threshold			20,060			19,777	283
Adjusted gross deferred tax assets offset by deferred tax liabilities	5,626	1,227	6,853	4,616	2,116	6,732	121
Deferred tax assets admitted	\$ 13,155	\$ 1,227	\$ 14,382	\$ 11,623	\$ 2,116	\$ 13,739	\$ 643
Ratio percentage used to determine recovery and threshold limitation amount			1028%			1023%	5%
Amount of adjusted capital and surplus to determine recovery period and threshold limitation			\$ 149,281			\$ 145,740	\$ 3,541

The major components of federal income taxes incurred are as follows:

	Years Ended December 31		
	2016	2015	Change
Federal income tax on operations	\$ (1,181)	\$ 702	\$ (1,883)
Tax expense on net realized capital gains	239	440	(201)
Change in provision	463	32	431
Federal income taxes incurred	\$ (479)	\$ 1,174	\$ (1,653)

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	Year Ended December 31		Change
	2016	2015	
<b>Deferred tax assets</b>			
<i>Ordinary</i>			
Loss reserves	\$ 6,470	\$ 6,585	\$ (115)
Deferred acquisition costs	5,319	4,844	475
Compensation and benefits	1,337	1,232	105
Other	29	1	28
Total ordinary deferred tax assets	13,155	12,662	493
Nonadmitted	-	1,039	(1,039)
Admitted ordinary deferred tax assets	13,155	11,623	1,532
<i>Capital</i>			
Investments	1,227	2,116	(889)
Total capital deferred tax assets	1,227	2,116	(889)
Non-admitted	-	-	-
Admitted capital deferred tax assets	1,227	2,116	(889)
Total admitted deferred tax assets	14,382	13,739	643
<b>Deferred tax liabilities</b>			
<i>Ordinary</i>			
Market bond discount	564	601	(37)
Deferred and uncollected	2,107	1,978	129
Pension	104	130	(26)
Total ordinary deferred tax liabilities	2,775	2,709	66
<i>Capital</i>			
Investments	97	602	(505)
Unrealized capital gains	5,438	3,421	2,017
Total capital deferred tax liabilities	5,535	4,023	1,512
Total deferred tax liabilities	8,310	6,732	1,578
Net admitted deferred tax asset	\$ 6,072	\$ 7,007	\$ (935)

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The change in net deferred income taxes is comprised of the following:

	Years Ended December 31		Change
	2016	2015	
Total deferred tax assets	\$ 14,382	\$ 14,778	\$ (396)
Total deferred tax liabilities	8,310	6,732	1,578
Net deferred tax asset	\$ 6,072	\$ 8,046	(1,974)
Tax effect of change in unrealized capital gains			2,017
Change in net deferred income taxes			\$ 43

None of the adjusted gross or net admitted deferred tax assets were admitted using a tax planning strategy. There was no valuation allowance recorded for deferred tax assets at December 31, 2016 or 2015.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income from operations before federal income tax expense and net realized capital losses. The significant items contributing to this difference are as follows:

	Effective Tax Rate Percentage	
	2016	2015
Provision computed at statutory rate	35.0 %	35.0 %
IMR amortization	13.8	(42.2)
Other investments	(13.4)	6.0
Other	(7.4)	4.7
Total	28.0 %	3.5 %
Federal income taxes incurred	31.3 %	56.6 %
Realized capital gains tax	(17.6)	34.3
Change in net deferred income taxes	14.3	(87.4)
Total statutory income taxes incurred	28.0 %	3.5 %

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is as follows:

Current year	\$ -
First preceding year	1,609
Second preceding year	2,916

### Note 8. Related Party Transactions

Various expenses, including rent, telephone, computer operations, printing, supplies and other expenses incurred by the Parent for the mutual benefit of the group, are apportioned between its member companies



## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

using allocation methods, which are designed to provide a reasonable representation of the value of the benefits received by the respective companies.

We reported amounts due to the Parent of \$394 and \$296 at December 31, 2016 and 2015, respectively. The balance payable relates to amounts incurred under intercompany service and expense allocation agreements. These agreements require that intercompany balances be settled within 30 days.

We provided group life insurance coverage for employees of United Fire Group, Inc. through December 31, 2015. The total premium received for this coverage was \$789 in 2015.

United Fire Group, Inc., has access to a line of credit totaling \$50 million. The Company can access this line of credit through an intercompany transaction whereby the Parent borrows the funds from United Fire Group, Inc. and loans them to us. The Company did not make use of this borrowing capacity during 2016 or 2015.

#### *Federal Home Loan Bank (FHLB) Agreements*

The Company is a member of the FHLB of Des Moines, IA. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged and assets and liabilities related to the agreement with FHLB of Des Moines:

	Current Year	Prior Year
FHLB stock purchased/owned as part of the agreement	\$ 1,844	\$ 1,963
Borrowing capacity currently available	457,294	467,824

#### **Note 9. Employee Benefit Obligations**

The Parent sponsors a defined benefit pension plan covering substantially all employees of the United Fire Group, Inc. Under this plan, retirement benefits are primarily a function of the number of years of service and the level of compensation. The Parent charges each affiliate for its allocable share of contributions based on a percentage of payroll. Pension costs allocated to the Company were \$370 and \$394 for 2016 and 2015, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a postretirement healthcare benefit plan covering substantially all benefit-eligible employees of the United Fire Group, Inc. The plan pays stated percentages of most necessary medical and dental expenses incurred by retirees, after subtracting payments by Medicare or other providers and after the stated deductible has been met. Participants become eligible for the benefits if they retire from the group after reaching age 55 with 10 or more years of participation in the plan and 10 or more years of employment with the group. The plan is contributory, with retiree contributions generally adjusted annually. Postretirement benefit costs allocated to us were \$485 and \$776 for 2016 and 2015, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a profit-sharing plan in which employees of the United Fire Group, Inc. who meet service requirements are eligible to participate. The amount of contributions to this plan is discretionary

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

and is determined annually, but cannot exceed the amount deductible for federal income tax purposes. Our allocated cost for this plan in 2016 and 2015 was \$176 and \$207, respectively. We have no legal obligation for benefits under this plan.

#### **Note 10. Concentrations of Risk**

Annuity considerations represented 40.3 percent or \$55,744 and 49.4 percent or \$72,119, of direct premiums collected in 2016 and 2015, respectively, of which \$18,623 and \$27,237 were collected in Iowa during 2016 and 2015, respectively. Annuity reserves represented 57.8 percent and 63.0 percent of our total aggregate reserves for life policies and annuity contracts at December 31, 2016 and 2015, respectively. In 2016 one large marketing agency produced a substantial portion, approximately 14.7 percent as compared to approximately 21.0 percent in 2015, of all premiums collected in 2016.

We believe that the risk of substantial unexpected withdrawals of annuity funds while the policy is in the surrender charge period is unlikely based on the penalties inherent in these contracts. All but \$2,462 of annuity considerations received in 2016 were primarily from one single premium product with a six-year surrender charge period and \$2,801 of annuity considerations received in 2015 was from the sale of primarily two single premium products having either a six-year or four-year surrender charge period. These products have a guaranteed minimum interest rate based on current market conditions with an annual review that allows this rate to increase if market conditions warrant. One has a surrender charge period of six years beginning at 6.0 percent in the first year and decreasing 1.0 percent in each of the next five years, while the other has a surrender charge period of four years with 4.0 percent in years one and two, 3.0 percent in year three and 2.0 percent in year four.

We have a renewal program in place that offers the policyowner the opportunity to purchase a new contract with a minimum interest rate based on the market conditions at that time. This program has been in place since the mid 1990's. However, due to current market conditions that have existed over the last few years, at December 31, 2016 and 2015 there was \$264,032, or 39.6 percent, and \$290,279, or 39.0 percent, respectively, of the annuity account value that was outside the surrender charge period and was earning the minimum interest rate stated in the contract. At December 31, 2016, \$71,091, or 34.1 percent, of these funds were earning between 3.0 percent and 4.0 percent compared to \$82,295 or 38.9 percent, at December 31, 2015. The funds are earning a higher rate of interest than is currently available in the market place, therefore, they are less likely to be surrendered for their cash value in the near future. However, these funds may be paid out at any time due to deaths.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

At December 31, 2016, the withdrawal characteristics of our annuity reserves and other deposit-type liabilities are as follows (the Company has only general account funds):

	<u>Amount</u>	<u>Percent of Total</u>
<b>Subject to discretionary withdrawal</b>		
At book value less surrender charge of 5% or more	\$ 70,587	8.3%
At book value without adjustment (minimal or no surrender charge or adjustment)	612,914	71.9%
<b>Not subject to discretionary withdrawal</b>	169,095	19.8%
	<u>\$ 852,596</u>	<u>100.0%</u>

Reinsurance is not applicable to the above amounts.

**Note 11. Contingencies**

From time to time, we are a defendant in various legal actions arising from normal business activities. We believe, after consultation with legal counsel, that the ultimate liabilities, if any, resulting from any legal actions will not materially affect our financial position or results of operations.

**Note 12. Reconciliation**

Following are the reconciling items in the Capital and Surplus Account for 2016 and 2015:

	2016			2015		
	<u>As filed</u>	<u>Corrected</u>	<u>Difference</u>	<u>As filed</u>	<u>Corrected</u>	<u>Difference</u>
Change in net deferred income tax	329	43	286	846	1,133	(287)
Change in non-admitted assets	779	1,065	(286)	(773)	(1,059)	286

**Note 13. Subsequent Events**

We have evaluated all events occurring after December 31, 2016, through May 19, 2016, the date the financial statements were available to be issued, to determine if any events required either recognition or disclosure in the financial statements. No material subsequent events were noted.

**Supplementary Information**  
**Statutory-Basis**



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## Report of Independent Auditors on Supplementary Information

Board of Directors and Stockholder  
United Life Insurance Company

Our audits were conducted for the purpose of forming an opinion on the statutory-basis financial statements as a whole. The accompanying supplemental schedule of selected statutory-basis financial data and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

May 19, 2017

United Life Insurance Company  
Schedule of Selected Financial Data  
Year Ended December 31, 2016  
(In thousands)

Investment income earned:	
U.S. government bonds	\$ 2,242
Other bonds (unaffiliated)	46,950
Preferred stocks (unaffiliated)	–
Common stocks (unaffiliated)	626
Mortgage loans	221
Contract loans	401
Cash and short-term investments	129
Other invested assets	1,194
Aggregate write-ins for investment income	404
Gross investment income	<u>52,167</u>
Mortgage loans – book value:	
Commercial mortgages - good standing	<u>\$ 3,706</u>
Other long-term assets	<u>\$ 15,870</u>
By Maturity – statement value (prior to non-admitted items):	
Due within one year or less	\$ 99,174
Over 1 year through 5 years	629,405
Over 5 years through 10 years	573,805
Over 10 years through 20 years	119,770
Over 20 years	19,199
Total by maturity	<u>\$ 1,441,353</u>
By NAIC designation – statement value (prior to non-admitted items):	
NAIC 1	\$ 924,405
NAIC 2	483,440
NAIC 3	25,659
NAIC 4	6,118
NAIC 5	1,731
NAIC 6	–
Total by NAIC designation	<u>\$ 1,441,353</u>
Bonds and short-term investments publicly traded	<u>\$ 1,292,911</u>
Bonds and short-term investments privately placed	<u>\$ 148,442</u>
Preferred stocks - book/adjusted carrying value	<u>\$ –</u>
Common stocks - fair value	<u>\$ 24,046</u>
Short-term investments - book/adjusted carrying value	<u>\$ 11,992</u>
Cash on deposit	<u>\$ 9,668</u>
Life insurance in force:	
Ordinary	<u>\$ 5,293,412</u>
Credit life	<u>\$ –</u>
Group life	<u>\$ 21,136</u>

United Life Insurance Company

Schedule of Selected Financial Data (continued)

Amount of accidental death insurance in force under ordinary policies	\$ 35,879
Life insurance policies with disability provisions in force:	
Ordinary	\$ 3,531
Supplementary contracts in force:	
Ordinary – not involving life contingencies:	
On deposit	\$ 48,496
Income payable	\$ 4,868
Ordinary – involving life contingencies:	
Income payable	\$ 3,208
Annuities:	
Ordinary:	
Immediate – amount of income payable	\$ 6,548
Deferred – fully paid – account balance	\$ 618,937
Deferred – not fully paid – account balance	\$ 47,774
Accident and health insurance – premiums in force:	
Other	\$ 2,091
Deposit funds and dividend accumulations:	
Deposit funds – account balance	\$ 63,137
Claim payments – year ended December 31, 2016	
Other accident and health:	
2016	\$ 129
2015	\$ 370
2014	\$ 224
2013	\$ 228
2012	\$ 228
Prior	\$ 2,991

United Life Insurance Company

Summary Investment Schedule

December 31, 2016

(In thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement		
	Amount	Percentage	Amount	Lending	Percentage
<b>Bonds:</b>					
U.S. treasury securities	\$ 1,039	0.1%	1,039	\$ -	0.1%
<b>U.S. government agency:</b>					
Issued by U.S. government agencies	-	0.0%	-	-	0.0%
Issued by U.S. government sponsored agencies	34,726	2.3%	34,726	-	2.3%
Foreign government	-	0.0%	-	-	0.0%
<b>Securities issued by states, territories, and possessions:</b>					
States territories and possessions general obligations	-	0.0%	-	-	0.0%
<b>Political subdivisions of states, territories, and possessions</b>					
general obligations	-	0.0%	-	-	0.0%
Revenue and assessment obligations	18,750	1.2%	18,750	-	1.2%
Industrial development and similar obligations	13,471	0.9%	13,471	-	0.9%
<b>Mortgage-backed securities (includes residential and commercial MBS):</b>					
<b>Pass-through securities:</b>					
Guaranteed by GNMA	43	0.0%	43	-	0.0%
Issued by FNMA and FHLMC	5,831	0.4%	5,831	-	0.4%
All other	-	0.0%	-	-	0.0%
<b>CMOs and Remics:</b>					
Issued by FNMA and FHLMC	270,871	18.1%	270,871	-	18.1%
<b>Privately issued and collateralized by MBS issued or</b>					
<b>    guaranteed by FNMA, FHLMC, or GNMA</b>					
All other privately issued	-	0.0%	-	-	0.0%
<b>Other debt and other fixed income securities (excluding short-term):</b>					
Unaffiliated domestic (including credit tenant loans and hybrid securities)	985,721	65.7%	985,721	-	65.7%
Unaffiliated non-U.S. securities (including Canada)	98,909	6.6%	98,909	-	6.6%
Affiliated securities	-	0.0%	-	-	0.0%
<b>Equity interests:</b>					
Investments in mutual funds	136	0.0%	136	-	0.0%
<b>Preferred stocks:</b>					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	-	0.0%	-	-	0.0%
<b>Publicly traded (excluding preferred stocks):</b>					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	22,066	1.5%	22,066	-	1.5%
<b>Other equity securities:</b>					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	1,844	0.1%	1,844	-	0.1%
<b>Mortgage loans:</b>					
Commercial loans	3,706	0.2%	3,706	-	0.2%
Contract loans	5,366	0.4%	5,366	-	0.4%
Receivable for securities	-	0.0%	-	-	0.0%
Cash and short-term investments	21,660	1.4%	21,660	-	1.4%
Other invested assets	15,870	1.1%	15,870	-	1.1%
<b>Total invested assets</b>	<b>\$ 1,500,009</b>	<b>100.0%</b>	<b>\$ 1,500,009</b>	<b>\$ -</b>	<b>100.0%</b>



United Life Insurance Company

Note to Supplementary Information

December 31, 2016

**Note – Basis of Presentation**

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2016, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2016 Statutory Annual Statement as filed with the Insurance Division, Department of Commerce, of the State of Iowa.



# SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2016  
(To Be Filed by April 1)

Of The United Life Insurance Company.....  
ADDRESS (City, State and Zip Code) Cedar Rapids , IA 52401-1212 .....  
NAIC Group Code 0248 ..... NAIC Company Code 69973 ..... Federal Employer's Identification Number (FEIN) 42-6061188 .....

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

- Reporting entity's total admitted assets as reported on Page 2 of this annual statement. ....\$ .....1,524,559,458
- Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal Home Loan Mortgage Corp	Bonds	\$ 16,599,213	1.1 %
2.02	Principal Enhanced Property Fund	Partnership	\$ 13,581,290	0.9 %
2.03	Federal Farm Credit Banks	Bonds	\$ 11,985,764	0.8 %
2.04	Northern Inst Diversified Assets	Money Market Fund	\$ 11,854,208	0.8 %
2.05	Federal Home Loan Banks	Bonds	\$ 10,994,543	0.7 %
2.06	Pfizer Inc	Bonds	\$ 10,799,032	0.7 %
2.07	F M C Corp	Bonds	\$ 9,118,291	0.6 %
2.08	MassMutual Global Funding II	Bonds	\$ 9,072,511	0.6 %
2.09	Federal National Mortgage Assoc	Bonds	\$ 8,700,000	0.6 %
2.10	Enterprise Products Operating LLC	Bonds	\$ 8,113,306	0.5 %

- Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2	Preferred Stocks	3	4
3.01	NAIC-1	\$ 924,405,397	60.6 %	3.07 P/RP-1	\$ 0	0.0 %
3.02	NAIC-2	\$ 483,440,154	31.7 %	3.08 P/RP-2	\$ 0	0.0 %
3.03	NAIC-3	\$ 25,657,447	1.7 %	3.09 P/RP-3	\$ 0	0.0 %
3.04	NAIC-4	\$ 6,118,161	0.4 %	3.10 P/RP-4	\$ 0	0.0 %
3.05	NAIC-5	\$ 1,731,313	0.1 %	3.11 P/RP-5	\$ 0	0.0 %
3.06	NAIC-6	\$	0.0 %	3.12 P/RP-6	\$ 0	0.0 %

- Assets held in foreign investments:

- Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ X ]  
If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.
- Total admitted assets held in foreign investments. ....\$ .....68,246,508 .....4.5 %
- Foreign-currency-denominated investments .....\$ .....0 .....0.0 %
- Insurance liabilities denominated in that same foreign currency .....\$ .....0 .....0.0 %

SUPPLEMENT FOR THE YEAR 2016 OF THE United Life Insurance Company

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2
5.01 Countries designated NAIC-1 .....	\$ 65,913,913	4.3 %
5.02 Countries designated NAIC-2 .....	\$ 2,332,595	0.2 %
5.03 Countries designated NAIC-3 or below .....	\$ 0	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
6.01 Country 1: Great Britain .....	\$ 30,496,737	2.0 %
6.02 Country 2: Luxembourg .....	\$ 13,328,190	0.9 %
Countries designated NAIC - 2:		
6.03 Country 1: Spain .....	\$ 2,332,595	0.2 %
6.04 Country 2: .....	\$ 0	0.0 %
Countries designated NAIC - 3 or below:		
6.05 Country 1: .....	\$ 0	0.0 %
6.06 Country 2: .....	\$ 0	0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure .....	\$ 0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

	1	2
8.01 Countries designated NAIC-1 .....	\$ 0	0.0 %
8.02 Countries designated NAIC-2 .....	\$ 0	0.0 %
8.03 Countries designated NAIC-3 or below .....	\$ 0	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
9.01 Country 1: .....	\$ 0	0.0 %
9.02 Country 2: .....	\$ 0	0.0 %
Countries designated NAIC - 2:		
9.03 Country 1: .....	\$ 0	0.0 %
9.04 Country 2: .....	\$ 0	0.0 %
Countries designated NAIC - 3 or below:		
9.05 Country 1: .....	\$ 0	0.0 %
9.06 Country 2: .....	\$ 0	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1	2	3	4
	Issuer	NAIC Designation		
10.01	Alibaba Group Holdings Ltd .....	1FE .....	\$ 6,976,872	0.5 %
10.02	Tyco Electronics Group .....	1FE .....	\$ 5,190,087	0.3 %
10.03	United Utilities PLC .....	2FE .....	\$ 5,166,783	0.3 %
10.04	BG Energy Capital PLC .....	1FE .....	\$ 5,120,287	0.3 %
10.05	Rolls Royce PLC .....	1FE .....	\$ 4,073,879	0.3 %
10.06	Ingersoll Rand Co .....	2FE .....	\$ 3,430,863	0.2 %
10.07	Vodafone Group PLC .....	2FE .....	\$ 3,350,529	0.2 %
10.08	Holcim US Finance .....	2FE .....	\$ 3,116,127	0.2 %
10.09	Invesco Finance PLC .....	1FE .....	\$ 3,087,326	0.2 %
10.10	Anheuser-Busch InBev .....	1FE .....	\$ 3,077,319	0.2 %

SUPPLEMENT FOR THE YEAR 2016 OF THE United Life Insurance Company

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

	1	2
11.02 Total admitted assets held in Canadian investments .....	\$ .....	0.0 %
11.03 Canadian-currency-denominated investments .....	\$ .....	0.0 %
11.04 Canadian-denominated insurance liabilities .....	\$ .....	0.0 %
11.05 Unhedged Canadian currency exposure .....	\$ .....	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions .....	\$ .....	0.0 %
Largest three investments with contractual sales restrictions:		
12.03 .....	\$ .....	0.0 %
12.04 .....	\$ .....	0.0 %
12.05 .....	\$ .....	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ X ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	2	3
1		
Issuer		
13.02 Principal Enhanced Property Fund .....	\$ 13,581,290	0.9 %
13.03 Cummins Inc .....	\$ 6,236,252	0.4 %
13.04 Alliant Energy Corp .....	\$ 6,229,116	0.4 %
13.05 US Bancorp .....	\$ 2,531,719	0.2 %
13.06 CIT Group .....	\$ 2,350,174	0.2 %
13.07 Ryan Fund X LLC .....	\$ 2,289,146	0.2 %
13.08 Federal Home Loan Bank .....	\$ 1,844,100	0.1 %
13.09 Microsoft Corp .....	\$ 932,100	0.1 %
13.10 Spectra Energy Corp .....	\$ 821,800	0.1 %
13.11 Intel Corp .....	\$ 725,400	0.0 %

**SUPPLEMENT FOR THE YEAR 2016 OF THE United Life Insurance Company**

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities .....	\$ .....	.....	0.0 %
Largest three investments held in nonaffiliated, privately placed equities:			
14.03 .....	\$ .....	.....	0.0 %
14.04 .....	\$ .....	.....	0.0 %
14.05 .....	\$ .....	.....	0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests .....	\$ .....	.....	0.0 %
Largest three investments in general partnership interests:			
15.03 .....	\$ .....	.....	0.0 %
15.04 .....	\$ .....	.....	0.0 %
15.05 .....	\$ .....	.....	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
	Type (Residential, Commercial, Agricultural)		
16.02 .....	\$ .....	.....	0.0 %
16.03 .....	\$ .....	.....	0.0 %
16.04 .....	\$ .....	.....	0.0 %
16.05 .....	\$ .....	.....	0.0 %
16.06 .....	\$ .....	.....	0.0 %
16.07 .....	\$ .....	.....	0.0 %
16.08 .....	\$ .....	.....	0.0 %
16.09 .....	\$ .....	.....	0.0 %
16.10 .....	\$ .....	.....	0.0 %
16.11 .....	\$ .....	.....	0.0 %

**SUPPLEMENT FOR THE YEAR 2016 OF THE United Life Insurance Company**

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		<u>Loans</u>	
16.12 Construction loans	\$ .....	.....	0.0 %
16.13 Mortgage loans over 90 days past due	\$ .....	.....	0.0 %
16.14 Mortgage loans in the process of foreclosure	\$ .....	.....	0.0 %
16.15 Mortgage loans foreclosed	\$ .....	.....	0.0 %
16.16 Restructured mortgage loans	\$ .....	.....	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%.....	\$ .....	.....0.0 %	\$ .....	.....0.0 %	\$ .....	.....0.0 %
17.02 91 to 95%.....	\$ .....	.....0.0 %	\$ .....	.....0.0 %	\$ .....	.....0.0 %
17.03 81 to 90%.....	\$ .....	.....0.0 %	\$ .....	.....0.0 %	\$ .....	.....0.0 %
17.04 71 to 80%.....	\$ .....	.....0.0 %	\$ .....	.....0.0 %	\$ .....	.....0.0 %
17.05 below 70%.....	\$ .....	.....0.0 %	\$ .....	.....0.0 %	\$ .....	.....0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

Description	1		2		3	
18.02 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
18.03 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
18.04 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
18.05 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
18.06 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

Description	1		2		3	
19.02 Aggregate statement value of investments held in mezzanine real estate loans: .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
Largest three investments held in mezzanine real estate loans:						
19.03 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
19.04 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %
19.05 .....	\$ .....	.....	\$ .....	.....	.....	0.0 %

**SUPPLEMENT FOR THE YEAR 2016 OF THE United Life Insurance Company**

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions) \$		0.0 %	\$	\$	\$
20.02 Repurchase agreements		0.0 %	\$	\$	\$
20.03 Reverse repurchase agreements		0.0 %	\$	\$	\$
20.04 Dollar repurchase agreements		0.0 %	\$	\$	\$
20.05 Dollar reverse repurchase agreements		0.0 %	\$	\$	\$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		3	Written	
	1	2		4	5
21.01 Hedging \$		0.0 %	\$	0.0 %	
21.02 Income generation		0.0 %	\$	0.0 %	
21.03 Other		0.0 %	\$	0.0 %	

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
22.01 Hedging \$	0	0.0 %	\$	\$	\$
22.02 Income generation	0	0.0 %	\$	\$	\$
22.03 Replications	0	0.0 %	\$	\$	\$
22.04 Other	0	0.0 %	\$	\$	\$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
23.01 Hedging \$	0	0.0 %	\$	\$	\$
23.02 Income generation		0.0 %	\$	\$	\$
23.03 Replications		0.0 %	\$	\$	\$
23.04 Other		0.0 %	\$	\$	\$

**FINANCIAL STATEMENTS  
STATUTORY - BASIS**

**United Life Insurance Company  
Years Ended December 31, 2015 and 2014  
With Reports of Independent Auditors**



United Life Insurance Company

Financial Statements  
Statutory-Basis

Years Ended December 31, 2015 and 2014

**Contents**

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## Report of Independent Auditors

Board of Directors and Stockholder  
United Life Insurance Company

We have audited the accompanying statutory-basis financial statements of United Life Insurance Company, which comprise the statements of admitted assets, liabilities, and capital and surplus as of December 31, 2015 and 2014, and the related statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa ("Iowa Insurance Division"). Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

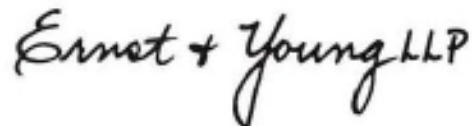
As described in Note 2 to the financial statements, to meet the requirements of Iowa, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles are described in Note 2. The effects on the accompanying financial statements of these variances are not reasonably determinable but are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of United Life Insurance Company at December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

### **Opinion on Statutory-Basis of Accounting**

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of United Life Insurance Company at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division.



May 20, 2016

United Life Insurance Company  
 Statements of Admitted Assets, Liabilities and  
 Capital and Surplus – Statutory-Basis

	Years Ended December 31	
	2015	2014
	<i>(In thousands)</i>	
<b>Admitted assets</b>		
Cash and invested assets:		
Bonds	\$ 1,449,090	\$ 1,516,503
Preferred stocks	-	3,910
Common stocks	19,564	24,319
Mortgage loans	3,961	4,199
Contract loans	5,617	5,916
Short-term investments	8,846	35,430
Cash	8,107	6,822
Other invested assets	14,988	13,482
Total cash and invested assets	<u>1,510,173</u>	<u>1,610,581</u>
Life insurance premiums due and uncollected and agents' balances	5,653	5,313
Investment income due and accrued	12,393	13,609
Federal income tax recoverable	448	287
Deferred federal income tax	7,007	4,873
Other admitted assets	276	701
Total admitted assets	<u>\$ 1,535,950</u>	<u>\$ 1,635,364</u>
<b>Liabilities and capital and surplus</b>		
Liabilities:		
Aggregate reserves:		
Life policies and annuity contracts	\$ 1,250,492	\$ 1,314,097
Accident and health policies	5,905	5,896
Liability for deposit-type contracts	112,915	116,891
Policy and contract claims	2,709	3,060
Other policy and contract liabilities	665	647
	1,532	1,453
Accrued expenses and other liabilities	8,984	6,976
Payable for securities	-	14,311
Asset valuation reserve	13,893	16,366
Total liabilities	<u>1,397,095</u>	<u>1,479,697</u>
Capital and surplus:		
Common stock (par value \$15,000; 500 shares authorized; 351 shares issued and outstanding)	5,265	5,265
Gross paid in and contributed surplus	63,783	63,783
Unassigned surplus	69,807	86,619
Total capital and surplus	<u>138,855</u>	<u>155,667</u>
Total liabilities and capital and surplus	<u>\$ 1,535,950</u>	<u>\$ 1,635,364</u>

See accompanying notes.

United Life Insurance Company  
 Statements of Operations – Statutory-Basis

	Years Ended December 31	
	2015	2014
	<i>(In thousands)</i>	
Premiums and annuity considerations	\$ 143,038	\$ 198,850
Considerations from supplementary contracts with life contingencies	4,422	6,373
Net investment income	53,269	59,545
Other income	2,429	2,474
<b>Total income</b>	<b>203,158</b>	<b>267,242</b>
Death benefits and matured endowments	22,814	22,965
Annuity benefits	44,606	47,812
Disability and accident and health benefits	1,107	1,113
Surrender benefits and other fund withdrawals	166,276	188,806
Interest and adjustments on policy or deposit-type contract funds	3,106	3,223
Payments on supplementary contracts with life contingencies	3,558	2,753
Change in aggregate reserves	(63,596)	(27,803)
<b>Total policy benefits</b>	<b>177,871</b>	<b>238,869</b>
Commission expense	13,458	12,896
General insurance expenses	10,618	9,354
Insurance taxes, licenses, and fees	1,637	1,226
<b>Total policy benefits and expenses</b>	<b>203,584</b>	<b>262,345</b>
Income from operations before federal income tax expense and net realized capital gains	(426)	4,897
Federal income tax expense	734	1,956
Income before net realized capital (losses) gains	(1,160)	2,941
Net realized capital (losses) gains	(364)	576
<b>Net(loss) income</b>	<b>\$ (1,524)</b>	<b>\$ 3,517</b>

See accompanying notes.

United Life Insurance Company

Statements of Changes in Capital and Surplus – Statutory-Basis

	Years Ended December 31	
	2015	2014
	<i>(In thousands)</i>	
Capital and surplus, beginning of year	\$ 155,667	\$ 157,974
Net (loss) income	(1,524)	3,517
Change in net unrealized gains	(2,835)	1,889
Change in net deferred income tax	1,133	717
Change in non-admitted assets	(1,059)	1
Change in asset valuation reserve	2,473	1,569
Dividends paid to stockholder	(15,000)	(10,000)
Net change in capital and surplus for the year	(16,812)	(2,307)
Total capital and surplus, end of year	\$ 138,855	\$ 155,667

See accompanying notes.

United Life Insurance Company

Statements of Cash Flow – Statutory-Basis

	Years Ended December 31	
	2015	2014
	<i>(In thousands)</i>	
<b>Operating activities</b>		
Premiums collected, net of reinsurance paid	\$ 146,999	\$ 205,041
Net investment income received	62,665	70,820
Other income received	865	1,123
Benefits and losses paid, net of reinsurance recoveries	(241,427)	(266,120)
Commissions and other expenses paid	(23,739)	(22,802)
Federal income taxes paid	(1,340)	(3,394)
Net cash used in operating activities	(55,977)	(15,332)
<b>Investing activities</b>		
Proceeds from investments sold, matured, or repaid	404,205	379,100
Cost of investments acquired	(340,712)	(346,106)
Net decrease in contract loans	298	345
Net cash provided by investing activities	63,791	33,339
<b>Financing and other activities</b>		
Net (withdrawals) deposits on deposit-type contracts and other insurance liabilities	(3,975)	3,392
Dividends paid to stockholder	(15,000)	(10,000)
Other cash (used in) provided by	(14,138)	13,907
Net cash (used in) provided by financing and other activities	(33,113)	7,299
Net (decrease) increase in cash and short-term investments	(25,299)	25,306
Cash and short-term investments, beginning of year	42,252	16,946
Cash and short-term investments, end of year	\$ 16,953	\$ 42,252

See accompanying notes.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

December 31, 2015 and 2014

#### **Note 1. Organization**

United Life Insurance Company (the "Company", or "our", or "us"; or "we") is an Iowa domiciled legal reserve stock life insurance company and is licensed in 37 states, primarily in the Midwest and Western United States. The Company underwrites and markets ordinary life insurance (primarily universal life, single premium whole life and term life) and annuities (primarily single premium) to individuals and groups through independent agencies. Approximately 67.7 percent of direct premiums in 2015 were written in five states: Iowa, Illinois, Minnesota, Wisconsin, and Nebraska.

The Company is wholly owned by United Fire & Casualty Company (the "Parent") which is the lead insurance company of the publicly held corporation, United Fire Group, Inc., an Iowa corporation. United Fire & Casualty Company owns 100 percent of seven other subsidiaries: Addison Insurance Company, Financial Pacific Insurance Company, Mercer Insurance Company, Lafayette Insurance Company, UFG Specialty Insurance Company, United Fire & Indemnity Company, and United Real Estate Holdings, LLC.

In addition, Mercer Insurance Company owns 100 percent of two subsidiaries: Mercer Insurance Company of New Jersey, Inc. and Franklin Insurance Company. United Fire & Indemnity Company has one affiliate: United Fire Lloyds.

#### **Note 2. Accounting Policies**

##### **Basis of Reporting**

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa (the "Iowa Insurance Department"), which differ from U.S. generally accepted accounting principles ("GAAP"). The *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners ("NAIC") has been adopted as a component of prescribed or permitted practices by the state of Iowa. The Iowa Insurance Department has the right to permit or prescribe specific practices that deviate from those set forth in the NAIC's *Accounting Practices and Procedures Manual*. The Company does not use any permitted accounting practices.

Certain reclassifications have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or capital and surplus of the prior period.



## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

The more significant variances from GAAP are as follows:

*Investments:* Investments in bonds are generally reported at cost or amortized cost, while GAAP requires that such securities be classified as held-to-maturity, available-for-sale, or trading. Under GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with unrealized gains and losses reported as a component of current operations or as a component of accumulated other comprehensive income, respectively.

Fair values of certain investments in bonds and stocks are based on values specified by NAIC rather than actual or estimated fair values.

Other-than-temporary impairment ("OTTI") charges are reported in operations. Under GAAP, realized losses from OTTI charges on bonds attributable to a deterioration in credit are reported in operations while OTTI charges related to other factors are reported in accumulated other comprehensive income.

The Asset Valuation Reserve ("AVR") and Interest Maintenance Reserve ("IMR") are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of capital and surplus.

- i) The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus.
- ii) The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into operations on a straight-line basis over the remaining period to maturity based on groupings of individual securities sold in five-year bands.

Realized capital gains and losses are reported in operations, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis. Under GAAP, realized capital gains and losses are reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

*Deferred Income Taxes:* Deferred tax assets and liabilities are recognized and deferred tax assets are admitted based on prescribed limitations. Changes in deferred tax assets and liabilities are charged or credited directly to surplus. Deferred taxes do not include amounts for state taxes.

Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15 percent of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, provided certain risk-based capital thresholds are met, and (3) the amount of remaining

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted.

Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and the change in net deferred taxes is included in earnings.

*Policy Acquisition Costs:* Commissions and other costs of acquiring new business are charged to operations as incurred rather than being deferred and amortized to expense in proportion to the expected premium revenue or gross profits. The effect of the non-deferral of these acquisition costs is partially offset by the use of modified reserve valuation methods.

*Non-admitted Assets:* Certain assets designated as non-admitted assets (principally certain receivables and non-operating system software, and other assets not specifically identified as an admitted asset within the NAIC's *Accounting Practices and Procedures Manual*) are charged directly to unassigned surplus.

*Benefit Reserves:* Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioner's Annuity Reserve Valuation Method.

*Reinsurance:* The reserves for certain policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserve amounts rather than as assets as would be required under GAAP.

*Revenues:* Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

*Statements of Cash Flow:* Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and investments with initial maturities of three months or less.

If the accompanying financial statements had been prepared in conformity with GAAP, reported capital and surplus as of December 31, 2015 and 2014 would have been \$205,092 and \$230,207, respectively, and net income for the years ended December 31, 2015 and 2014 would have been \$4,297 and \$7,014, respectively.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

#### **Use of Estimates**

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

#### **Investments**

Investments are stated at values prescribed or permitted by the NAIC:

Bonds not backed by other loans are stated at amortized cost, except for NAIC class 6 bonds, which are stated at the lower of cost or fair value.

Preferred stocks are stated at the lower of cost or fair value.

Common stocks are stated at fair value with the related unrealized capital gains and losses reported in unassigned surplus along with any adjustment for federal income taxes.

Mortgage loans are stated at amortized cost.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at amortized cost, which approximates fair value.

Other invested assets are partially comprised of minor ownership interests in limited liability companies and are stated at values that are based on the Company's interest in the underlying audited GAAP equity of the investee. The other portion is comprised of pooled separate account funds and is stated at the estimated fair value provided by the fund managers based on the net asset values of the underlying assets of the investment. They are recorded on the equity method of accounting with no adjustments to the net asset values provided by the fund managers. Changes in the value of these investments are recorded directly to surplus and income is recorded when amounts in excess of the initial investment are distributed.

Amortization of bond premiums and accretion of bond discounts are recognized using an effective yield method. Realized gains or losses on investments sold are determined on a specific identification basis.

All single-class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations, are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective adjustment method. If we determine that a decline in fair value for these types of securities is other-than-temporary, an OTTI charge will be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and fair value of the security if we intend to sell the security or have assessed that we do not have the intent and ability to retain our investment in the security for a period of time sufficient to allow for the recovery of its amortized cost basis. However,

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

an OTTI charge will also be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and the present value of future cash flows for the security even if we do not intend to sell the security and there is an intent and ability to hold the security if we determine that we will not recover its amortized cost basis.

Our accounting policy for investment impairment recognition requires OTTI charges to be recorded when it is determined that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of the bonds or that the anticipated recovery in fair value of the common stocks will not occur in a reasonable amount of time. OTTI charges are recorded based on the fair value of the impaired investment at the measurement date and are recognized as a component of net realized capital losses. Factors considered in evaluating whether a decline in value is other-than-temporary for these types of securities include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery; and the likelihood that we will be required to sell the investment. The Company recognized OTTI charges of \$1,300 on one bond in 2015 and \$-0- in 2014.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. If any impairment is deemed other-than-temporary, the mortgage loan is written down to realizable value, and a realized loss is recognized in the statutory-basis statements of operations. There were no OTTI charges for mortgage loans in 2015 and 2014.

#### **Aggregate Reserves**

In accordance with the insurance laws under which we operate, we have actuarially computed reserves to meet our obligations on various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company's policy obligations as they are expected to occur. While we believe the liabilities for aggregate reserves are adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

We waive deduction of deferred fractional premiums upon the death of the insured and return any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Substandard reserves are determined using the present value of future benefits. Policies issued for substandard lives are charged an extra premium in addition to the regular gross premiums for the rated age.

The Tabular Interest, Tabular Less Actual Reserve Released, and the Tabular Cost, which are components of the aggregate reserving calculation, have been determined by formula as described in the NAIC *Annual Statement Instructions*. The Tabular Interest on funds not involving life contingencies has been

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

determined by formula as described in those instructions, which is then validated by an independent calculation using appropriate valuation rates and mean liabilities.

Anticipated investment income was not utilized in the calculation of any premium deficiency reserve. Premium deficiency reserves were evaluated at December 31, 2015 and 2014. This reserve totaled \$2,172 and \$2,505 at December 31, 2015 and 2014, respectively.

The following table summarizes the primary valuation methods followed, the mortality tables used, and the interest rates assumed in computing the liabilities for aggregate life policy reserves:

<b>Valuation Method</b>	<b>Mortality Table</b>	<b>Interest Rate</b>
Commissioners reserve valuation method	1958 CSO	3 – 4 ½%
Commissioners reserve valuation method	1980 CSO	4 – 6%
Commissioners reserve valuation method	2001 CSO	3 ½ – 4 ½%
Net level premium	1958 CSO	3 – 4 ½%
Net level premium	1980 CSO	4 – 5%
Net level premium	2001 CSO	3 ½ – 4 ½%
Immediate annuity	1983 IAM	5 ½ – 10%
Immediate annuity	a-2000	2.65 – 7%
Immediate annuity	2012 IAR	3 – 4%

#### **Policy and Contract Claims**

The liability for policy and contract claims is based on estimates of the costs of individual cases for losses and claims reported prior to year-end and unpaid, and also includes an estimate for losses incurred but not yet reported. These estimates are based on historical experience, along with certain assumptions about future events. Changes in assumptions for such things as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. While management believes the liability for policy and contract claims is adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

#### **Recognition of Premium Revenue and Related Expenses**

Premiums are recognized on the anniversary date of the policy for traditional life business (i.e., term and whole life) and as received for non-traditional life business (i.e., universal life) and annuities. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

#### **Allocation of Expenses**

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

General insurance expenses, taxes, licenses and fees, and investment expenses are allocated on a direct basis whenever possible. When not possible to allocate on a direct basis, one of the following methods is used as appropriate to the individual expense being allocated: premium collected, in-force amount, policy count or reserve amount. Inter-company agreements exist where United Fire & Casualty Company, incurs expenses for the benefit of the group. The following agreements exist: expenses agreement, federal income tax agreement and investment expense allocation. These agreements require that inter-company balances be settled within 30 days. There is also a credit agreement where the Parent can borrow from the Company and/or the Company can borrow from the Parent at a fixed interest rate to facilitate cash flow.

**Note 3. Investments**

The adjusted book value and fair value of our investments in bonds, common stocks and preferred stocks held by us at December 31, 2015 and 2014 are as follows:

	Adjusted Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>At December 31, 2015</b>				
Bonds:				
U.S. government	\$ 763	\$ -	\$ -	\$ 763
Special revenue	111,663	1,111	1,277	111,497
Industrial and miscellaneous	1,063,465	16,227	16,800	1,062,892
Loan backed	273,199	5,864	3,250	275,813
<b>Total bonds</b>	<b>1,449,090</b>	<b>23,202</b>	<b>21,327</b>	<b>1,450,965</b>
Common stocks:				
Industrial and miscellaneous	8,435	11,170	177	19,428
Mutual funds	193	-	57	136
<b>Total common stocks</b>	<b>8,628</b>	<b>11,170</b>	<b>234</b>	<b>19,564</b>
<b>Total</b>	<b>\$ 1,457,718</b>	<b>\$ 34,372</b>	<b>\$ 21,561</b>	<b>\$ 1,470,529</b>
<b>At December 31, 2014</b>				
Bonds:				
U.S. government	\$ 776	\$ 4	\$ -	\$ 780
Special revenue	210,441	2,199	1,472	211,168
Industrial and miscellaneous	1,041,849	30,154	4,949	1,067,054
Loan backed	263,437	7,135	3,516	267,056
<b>Total bonds</b>	<b>1,516,503</b>	<b>39,492</b>	<b>9,937</b>	<b>1,546,058</b>
Common stocks:				
Industrial and miscellaneous	8,474	15,702	43	24,133
Mutual funds	236	-	50	186
<b>Total common stocks</b>	<b>8,710</b>	<b>15,702</b>	<b>93</b>	<b>24,319</b>
Preferred stocks	3,910	56	-	3,966
<b>Total</b>	<b>\$ 1,529,123</b>	<b>\$ 55,250</b>	<b>\$ 10,030</b>	<b>\$ 1,574,343</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

The following is a summary of the categories of earned investment income and related expenses:

	Years Ended December 31	
	2015	2014
<b>Investment Income:</b>		
U.S. government bonds	\$ 2,020	\$ 1,754
Other bonds (unaffiliated)	48,822	55,548
Preferred stocks (unaffiliated)	193	237
Common stocks (unaffiliated)	593	546
Mortgage loans	237	252
Contract loans	431	458
Cash and short-term investments	151	83
Other invested assets	1,367	727
Aggregate write-ins for investment income	588	1,125
Gross investment income	\$ 54,402	\$ 60,730
Investment expenses	1,133	1,185
Net investment income	\$ 53,269	\$ 59,545

The adjusted book value and fair value of bonds by contractual maturity at December 31, 2015 are shown below. Expected maturities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Adjusted Book Value	Fair Value
Due in one year or less	\$ 51,529	\$ 51,948
Due after one year through five years	385,611	390,878
Due after five years through ten years	672,182	665,675
Due after ten years	112,158	113,396
Mortgage-backed securities	1,539	1,525
Collateralized mortgage obligations	226,071	227,543
Total bonds	\$ 1,449,090	\$ 1,450,965

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The following table summarizes information concerning the disposal of bonds and stocks:

	Years Ended December 31	
	2015	2014
Proceeds from sales and repayments - bonds	\$ 399,417	\$ 378,083
Proceeds from sales - stocks	4,543	790
	<u>\$ 403,960</u>	<u>\$ 378,873</u>
Gross realized gains from sales - bonds	\$ 57	\$ 64
Gross realized gains from repayments - bonds	2,600	2,613
Gross realized gains from sales - stocks	558	420
Gross realized gains from sales - other assets	3	-
Gross realized losses from sales - bonds	(181)	-
Gross realized losses from sales - stocks	(14)	(4)
Gross realized losses from other-than-temporary impairments - bonds	(1,300)	-
	<u>1,723</u>	<u>3,093</u>
Amount transferred to the IMR	2,527	2,433
Federal income tax expense	(440)	84
Net realized capital gains	<u>\$ (364)</u>	<u>\$ 576</u>



United Life Insurance Company

Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

A summary of our investments in bonds and common stocks that were in an unrealized loss position at December 31, 2015 and 2014 is provided below. We believe the unrealized depreciation in value of these investments is primarily attributable to market price interest rates and not the credit quality of the issuer of the respective securities. We have no intent to sell, and it is more likely than not that we will not be required to sell, the securities until such time that the fair value recovers or the securities mature.

	Less than 12 months			Greater than 12 months			Total	
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>At December 31, 2015</b>								
<b>Bonds:</b>								
Special revenue	11	\$ 788	\$ 38,785	4	\$ 489	\$ 14,960	\$ 1,277	\$ 53,745
Industrial and miscellaneous	171	11,631	437,044	14	5,169	30,838	16,800	467,882
Loan backed	26	1,201	64,379	17	2,049	52,437	3,250	116,816
<b>Total bonds</b>	<b>208</b>	<b>13,620</b>	<b>540,208</b>	<b>35</b>	<b>7,707</b>	<b>98,235</b>	<b>21,327</b>	<b>638,443</b>
<b>Common stocks:</b>								
Industrial and miscellaneous	-	-	-	3	177	102	177	102
Mutual funds	-	-	-	1	57	136	57	136
<b>Total common stocks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>234</b>	<b>238</b>	<b>234</b>	<b>238</b>
<b>Total</b>	<b>208</b>	<b>\$ 13,620</b>	<b>\$ 540,208</b>	<b>39</b>	<b>\$ 7,941</b>	<b>\$ 98,473</b>	<b>\$ 21,561</b>	<b>\$ 638,681</b>
<b>At December 31, 2014</b>								
<b>Bonds:</b>								
Special revenue	7	\$ 54	\$ 32,610	13	\$ 1,418	\$ 54,229	\$ 1,472	\$ 86,839
Industrial and miscellaneous	36	1,653	108,187	19	3,296	51,481	4,949	159,668
Loan backed	5	64	10,996	30	3,452	87,221	3,516	98,217
<b>Total bonds</b>	<b>48</b>	<b>1,771</b>	<b>151,793</b>	<b>62</b>	<b>8,166</b>	<b>192,931</b>	<b>9,937</b>	<b>344,724</b>
<b>Common stocks:</b>								
Industrial and miscellaneous	2	43	235	-	-	-	43	235
Mutual funds	1	50	186	-	-	-	50	186
<b>Total common stocks</b>	<b>3</b>	<b>93</b>	<b>421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>421</b>
<b>Total</b>	<b>51</b>	<b>\$ 1,864</b>	<b>\$ 152,214</b>	<b>62</b>	<b>\$ 8,166</b>	<b>\$ 192,931</b>	<b>\$ 10,030</b>	<b>\$ 345,145</b>

We have evaluated the unrealized losses reported for all of our securities at December 31, 2015 and have concluded that the duration and severity of these losses do not warrant the recognition of an OTTI charge at December 31, 2015. Our largest unrealized loss greater than 12 months on an individual security at December 31, 2015 was \$1,332. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

At December 31, 2015 and 2014, various invested assets (primarily bonds) with a book value of \$1,488,027 and \$1,587,949, respectively, were on deposit with or available to insurance departments of various states to meet statutory requirements.

There were no interest rate reductions on mortgage loans during 2015 or 2014.

We do not engage in off-balance sheet, derivative or hedging activities, and there are no significant industry, credit risk, or other concentrations.

The Company invests in mortgage loans collateralized by commercial real estate. The aggregate mortgages outstanding to any one borrower do not exceed \$3,493. During 2015, no new mortgage loans were issued. At December 31, 2015, loan value of \$3,493 (88 percent) and \$468 (12 percent) of outstanding mortgage loans was located in the state of Virginia and Michigan, respectively. No mortgage loans were deemed other-than-temporarily impaired in 2015 or 2014.

*Restricted Assets*

Total restricted assets at December 31, 2015 and 2014 were \$3,475 and \$3,504.

The following table contains information regarding structured notes:

CUSIP Identification	Cost	Fair Value	Book/Adjusted Carrying Value	Referenced Security (Yes/No)
3130A3-FP-4	2,982	2,989	2,989	No
3136G0-MC-2	2,977	2,989	2,987	No
3136G0-PF-2	2,931	2,989	2,964	No
3136G0-QE-4	2,752	2,974	2,794	No
3136G1-JN-0	6,200	6,096	6,200	No
3136G1-N3-9	1,238	1,256	1,239	No
3136G1-N9-6	1,232	1,300	1,246	No
3136G2-BT-3	5,000	5,006	5,000	No
3136G2-C2-1	2,990	2,976	2,992	No
78010U-EC-7	3,000	3,010	3,000	No
857477-AF-0	4,266	4,197	4,104	No
<b>Totals</b>	<b>\$ 35,568</b>	<b>\$ 35,782</b>	<b>\$ 35,515</b>	

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

**Note 4. Fair Value of Financial Instruments**

The carrying value and estimated fair value of our financial instruments reported at December 31, 2015 and 2014 are as follows:

	Years Ended December 31			
	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Bonds	\$ 1,449,090	\$ 1,450,965	\$ 1,516,503	\$ 1,546,058
Preferred stocks	-	-	3,910	3,966
Common stocks	19,564	19,564	24,319	24,319
Mortgage loans	3,961	4,237	4,199	4,559
Contract loans	5,617	5,617	5,916	5,916
Short-term investments	8,846	8,846	35,430	35,424
Cash	8,107	8,107	6,822	6,822
Other invested assets	14,988	14,988	13,482	13,482
<b>Liabilities</b>				
Annuity (accumulations)	731,442	707,190	848,072	865,802
Supplemental contracts (other than asset retention)	42,873	59,175	44,608	79,416
Structured settlements	875	1,208	883	1,572
Guaranteed investment contracts	51,814	71,516	53,701	95,604

The following methods and assumptions were used by us in estimating the fair value of our financial instruments:

*Assets*

To determine the fair value of the majority of our investments, we use a market-based approach, by utilizing prices obtained from independent, nationally recognized pricing services. We obtain one price for each security. When the pricing services cannot provide a determination of fair value for a specific bond or stock, we obtain non-binding price quotes from the broker-dealers with whom we have had several years of experience and who have demonstrated knowledge of the subject bond or stock. We request and utilize one broker quote per bond or stock.

We validate the prices obtained from independent pricing services and brokers prior to their use for reporting purposes by evaluating their reasonableness on a monthly basis. Our validation process includes a review for unusual fluctuations. Unusual fluctuations outside of our expectations are independently corroborated by obtaining valuations from secondary, third party services. In addition, we also randomly select securities and independently validate the valuations obtained from our third party valuation service providers. In our opinion, the pricing obtained at December 31, 2015 properly reflects the fair value of our investments.

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*(In thousands, except policy counts)*

The estimated fair value of mortgage loans is based upon discounted cash flows, utilizing the market rate of interest for similar loans in effect at the valuation date.

The estimated fair value of contract loans is equivalent to their carrying value. No contract loans are made for amounts in excess of the cash surrender value of the related policy. In all instances, the contract loans are fully collateralized by the related liability for future policy benefits for traditional life policies and by the policyholders' account balance for non-traditional life policies.

Our other invested asset investments consist of holdings in a pooled separate account fund and a limited liability partnership fund. The estimated fair values of other invested assets are provided by the fund managers based on the net asset values of the underlying assets of the investments and are recorded on the equity method of accounting. We have not adjusted the net asset values provided by the fund managers.

In most cases, the fair value of short-term investments, cash, and investment income due and accrued approximate their carrying values due to the short-term nature of these financial instruments. In the case of short-term bonds, they are carried at book value.

#### *Liabilities*

The fair value of the liabilities for all annuity products is based upon the estimated value of the business, using current market rates, forecast assumptions and risk-adjusted discount rates, when relevant observable market data does not exist.

The fair value of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, such that our exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under the related insurance contracts. The primary purpose for matching invested assets with contract and policy liabilities is liquidity. With appropriate matching, investments will mature when cash is needed, preventing the need to liquidate other assets prematurely. Mismatches in the duration of our assets and liabilities can cause significant fluctuations in our results of operations. The average duration of our bond portfolio was 5.3 years and 5.2 years at December 31, 2015 and 2014, respectively.

SSAP No.100, *Fair Value Measurements* ("SSAP No. 100"), establishes a fair value hierarchy in which to categorize financial instruments that are measured at fair value on a recurring and nonrecurring basis. The following financial instruments are carried at fair value in the accompanying statements of admitted assets, liabilities and capital and surplus as of December 31, 2015: common stocks, preferred stocks, and certain bonds that have been classified with an NAIC rating of 6.

The level at which financial instruments are categorized within the fair value hierarchy is based on the inputs to the valuation technique. Level 1 valuations are based on unadjusted quoted prices in active markets for identical financial instruments that we have the ability to access. Level 2 valuations are based on quoted prices for similar financial instruments, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument. Level 3 valuations are based on pricing or valuation techniques that require inputs

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument.

We review our fair value hierarchy categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed. Transfers between levels, if any, are recorded as of the beginning of the reporting period. There were no transfers in or out of levels 1 and 2 during either 2015 or 2014.

The following is a summary of the categorization of our financial instruments measured at fair value on a recurring basis at December 31, 2015 and 2014:

	Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2015</b>				
Bonds:				
Industrial and miscellaneous	\$ 570	\$ -	\$ 570	\$ -
Common stocks:				
Industrial and miscellaneous	19,428	17,465	-	1,963
Mutual funds	136	136	-	-
Short-term investments:				
Money markets	8,846	8,846	-	-
<b>Total</b>	<b>\$ 28,980</b>	<b>\$ 26,447</b>	<b>\$ 570</b>	<b>\$ 1,963</b>

<b>At December 31, 2014</b>				
Common stocks:				
Industrial and miscellaneous	\$ 17,741	\$ 15,762	\$ 1	\$ 1,978
Mutual funds	6,578	6,578	-	-
Preferred stocks	700	-	700	-
Short-term investments:				
Money markets	17,034	17,034	-	-
<b>Total</b>	<b>\$ 42,053</b>	<b>\$ 39,374</b>	<b>\$ 701</b>	<b>\$ 1,978</b>

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 (In thousands, except policy counts)

The carrying value, fair value, and categorization of the Company's financial instruments in accordance with SSAP No. 100 are as follows:

	Admitted Value	Aggregate Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2015</b>					
<b>Assets</b>					
Bonds	\$ 1,449,090	\$ 1,450,965	\$ -	\$ 1,439,378	\$ 11,587
Common stocks	19,564	19,564	17,601	-	1,963
Mortgage loans	3,961	4,237	-	-	4,237
Short-term					
Money markets	8,846	8,846	8,846	-	-
Cash	8,107	8,107	8,107	-	-
Contract loans	5,617	5,617	-	-	5,617
<b>Total Assets</b>	<b>\$ 1,495,185</b>	<b>\$ 1,497,336</b>	<b>\$ 34,554</b>	<b>\$ 1,439,378</b>	<b>\$ 23,404</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 731,442	\$ 707,190	\$ -	\$ -	\$ 707,190
Supplemental contracts (other than asset retention)	42,873	59,175	-	-	59,175
Structured settlements	875	1,208	-	-	1,208
Guaranteed interest contracts	51,814	71,516	-	-	71,516
<b>Total Liabilities</b>	<b>\$ 827,004</b>	<b>\$ 839,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 839,089</b>
<b>At December 31, 2014</b>					
<b>Assets</b>					
Bonds	\$ 1,516,503	\$ 1,546,058	\$ -	\$ 1,532,424	\$ 13,634
Preferred stocks	3,910	3,966	-	3,966	-
Common stocks	24,319	24,319	22,340	1	1,978
Mortgage loans	4,199	4,559	-	-	4,559
Short-term					
Bonds	18,396	18,390	-	18,390	-
Money markets	17,034	17,034	17,034	-	-
Cash	6,822	6,822	6,822	-	-
Contract loans	5,916	5,916	-	-	5,916
<b>Total Assets</b>	<b>\$ 1,597,099</b>	<b>\$ 1,627,064</b>	<b>\$ 46,196</b>	<b>\$ 1,554,781</b>	<b>\$ 26,087</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 848,072	\$ 865,802	\$ -	\$ -	\$ 865,802
Supplemental contracts (other than asset retention)	44,608	79,416	-	-	79,416
Structured settlements	883	1,572	-	-	1,572
Guaranteed interest contracts	53,701	95,604	-	-	95,604
<b>Total Liabilities</b>	<b>\$ 947,264</b>	<b>\$ 1,042,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,042,394</b>

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(In thousands, except policy counts)

The fair value of the majority of our investments in common stocks has been determined using unadjusted quoted prices for identical financial instruments in active markets at the measurement date. Accordingly, these investments would be considered Level 1 securities in the fair value hierarchy.

The fair value of our investments in bonds that have been classified with an NAIC rating of 6 has been determined by management using reliance on market values obtained from independent pricing services. These investments would be considered Level 2 in the fair value hierarchy. We use a market-based approach for valuing all of our Level 2 investments except for our mortgage-backed securities, collateralized mortgage obligations and asset-backed bonds and submit them primarily to a third party valuation service provider. Any of these securities not valued by this service provider are submitted to a second third party valuation service provider. Both service providers use a market approach to find pricing for similar financial instruments. The market inputs our service providers normally seek to value our bonds include the following, listed in approximate order of priority: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The method and inputs for these investments classified as Level 2 are the same regardless of industry category, credit quality, duration, geographical concentration or economic characteristics. For our mortgage-backed bonds, collateralized mortgage obligations and asset-backed bonds, our service providers use additional market inputs to value these bonds, including the following: new issue data, periodic payment information, monthly payment information, collateral performance and real estate analysis from third parties. Our service providers prioritize inputs differently on any given day for any bond based on market conditions, and not all inputs listed are available for use in the evaluation process for each bond evaluation on any given day.

The following is a summary of the activity for Level 3 assets measured at fair value during 2015 and 2014:

	Beginning Balance	Transfers into Level 3	Realized Gain/ Loss	Unrealized Gain/ Loss	Purchases	Sales	Ending Balance
<b>December 31, 2015</b>							
Common stocks:							
Industrial and miscellaneous	\$ 1,978	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ 1,963
<b>Total</b>	<b>\$ 1,978</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15</b>	<b>\$ 1,963</b>
<b>December 31, 2014</b>							
Common stocks:							
Industrial and miscellaneous	\$ 2,012	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ 1,978
<b>Total</b>	<b>\$ 2,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34</b>	<b>\$ 1,978</b>

We purchased these Level 3 securities in the Federal Home Loan Bank ("FHLB") of Des Moines, as a requirement to obtain membership. These securities were classified as Level 3 because there was no observable market price at December 31, 2015 or 2014. They are stated at the value provided by the FHLB with no adjustments made by management.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

#### **Note 5. Reinsurance**

We reinsure a portion of our insurance business with other insurance companies on both a pro rata and excess of loss basis. The ceding of reinsurance does not legally discharge us from primary liability under our policies, and we must pay the loss if the reinsurer fails to meet its obligation. We are contingently liable for ceded insurance in force of \$1,165,868 at December 31, 2015, of which approximately 99 percent has been ceded to five reinsurers.

Premiums ceded in 2015 and 2014 were \$3,519 and \$3,308, respectively. Ceded reserves and unpaid claims recoverable of \$4,406 and \$5,497 at December 31, 2015 and 2014, respectively, have been deducted from the related policy liabilities. Reinsurance recoveries received were \$3,389 and \$2,157 in 2015 and 2014, respectively.

Amounts recoverable from reinsurers of \$141 and \$533 were reported as a component of other admitted assets at December 31, 2015 and 2014, respectively. In management's opinion, all amounts are collectible with regard to reinsurance recoverables.

#### **Note 6. Capital and Surplus**

Under the applicable laws and regulations of the state of Iowa, we are required to maintain minimum capital stock, paid in capital and unassigned surplus of the greater of \$5,000 or the required amount of risk-based capital ("RBC") as defined by the NAIC for life insurance companies. The NAIC RBC formula establishes capital requirements based on an individual company's insurance risk, business risk, asset credit risk, and interest rate risk. The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2015 and 2014, we had adjusted capital in excess of the required capital levels.

We are required to obtain approval from the Iowa Insurance Commissioner in order to pay our only stockholder, United Fire & Casualty, a dividend if the total to be paid plus any dividends paid within the preceding twelve months exceeds the greater of 10 percent of surplus at the beginning of the year or the net gain from operations of the previous year. In the absence of unassigned surplus, no dividends may be paid. Based on these restrictions, a dividend of \$13,885 may be paid after December 7, 2016 without approval. A dividend of \$15,000 was paid on December 7, 2015. In 2014, a dividend of \$10,000 was paid on December 18.

#### **Note 7. Federal Income Taxes**

We file a consolidated federal income tax return with our Parent and other affiliated companies. The method of allocation between the companies is subject to a written agreement, which has been approved by the Board of Directors. The amount to be allocated is based on separate return calculations with current credit provided for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.



## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2009. The Internal Revenue Service is currently conducting a routine examination of our income tax return for the 2011 tax year.

The Company performs a quarterly review of its tax positions and makes a determination whether it is more likely than not that the tax position will be sustained upon examination. If based on this review, it appears not more likely than not that the position will be sustained, the Company will calculate any unrecognized tax benefits and any interest and penalties. We have not recognized a liability for unrecognized tax benefits at December 31, 2015 or 2014 or at any time during 2015 or 2014. In addition, no interest and penalties related to unrecognized tax benefits have been accrued at December 31, 2015 or 2014. However, if interest and penalties would need to be accrued, such amounts would be recognized as a component of federal income tax expense.

The components of the net deferred tax asset recognized in the accompanying statements of admitted assets, liabilities and capital and surplus are as follows:

	Years Ended December 31					
	2015			2014		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Total of all deferred tax assets	\$ 12,662	\$ 2,116	\$ 14,778	\$ 12,237	\$ 1,660	\$ 13,897
Total of all deferred tax liabilities	2,709	4,023	6,732	3,078	5,946	9,024
Net deferred tax asset			8,046			4,873
Total non-admitted deferred tax asset			1,039			-
Total admitted deferred tax asset			\$ 7,007			\$ 4,873
Change in non-admitted deferred tax asset			\$ 1,039			\$ -

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 (In thousands, except policy counts)

The components of the admitted deferred tax assets are as follows:

	Years Ended December 31						Total Change
	2015			2014			
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 6,244	\$ -	\$ 6,244	\$ 6,944	\$ -	\$ 6,944	\$ (700)
Adjusted gross deferred tax assets expected to be realized after threshold limitation	763	-	763	-	-	-	763
Adjusted gross deferred tax assets allowed per limitation threshold			19,777			22,619	(2,842)
Adjusted gross deferred tax assets offset by deferred tax liabilities	4,616	2,116	6,732	5,293	1,660	6,953	(221)
Deferred tax assets admitted	\$ 11,623	\$ 2,116	\$ 13,739	\$ 12,237	\$ 1,660	\$ 13,897	\$ (158)
Ratio percentage used to determine recovery and threshold limitation amount			1023%			1044%	-21%
Amount of adjusted capital and surplus to determine recovery period and threshold limitation			\$ 145,740			\$ 167,160	\$(21,420)

The major components of federal income taxes incurred are as follows:

	Years Ended December 31		
	2015	2014	Change
Federal income tax on operations	\$ 702	\$ 1,948	\$ (1,246)
Tax expense on net realized capital gains	440	935	(495)
Change in provision	32	8	24
Federal income taxes incurred	\$ 1,174	\$ 2,891	\$ (1,717)

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	Year Ended December 31		
	2015	2014	Change
<b>Deferred tax assets</b>			
<i>Ordinary</i>			
Loss reserves	\$ 6,585	\$ 6,704	\$ (119)
Deferred acquisition costs	4,844	4,543	301
Compensation and benefits	1,232	989	243
Other	1	1	-
Total ordinary deferred tax assets	12,662	12,237	425
Nonadmitted	1,039	-	1,039
Admitted ordinary deferred tax assets	11,623	12,237	(614)
<i>Capital</i>			
Investments	2,116	1,660	456
Total capital deferred tax assets	2,116	1,660	456
Non-admitted	-	-	-
Admitted capital deferred tax assets	2,116	1,660	456
Total admitted deferred tax assets	13,739	13,897	(158)
<b>Deferred tax liabilities</b>			
<i>Ordinary</i>			
Market bond discount	601	1,083	(482)
Deferred and uncollected	1,978	1,860	118
Pension	130	135	(5)
Total ordinary deferred tax liabilities	2,709	3,078	(369)
<i>Capital</i>			
Investments	602	486	116
Unrealized capital gains	3,421	5,460	(2,039)
Total capital deferred tax liabilities	4,023	5,946	(1,923)
Total deferred tax liabilities	6,732	9,024	(2,292)
Net admitted deferred tax asset	\$ 7,007	\$ 4,873	\$ 2,134

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Notes to Financial Statements - Statutory-Basis  
 (In thousands, except policy counts)

The change in net deferred income taxes is comprised of the following:

	Years Ended December 31		Change
	2015	2014	
Total deferred tax assets	\$ 14,778	\$ 13,897	\$ 881
Total deferred tax liabilities	6,732	9,024	(2,292)
Net deferred tax asset	\$ 8,046	\$ 4,873	3,173
Tax effect of change in unrealized capital gains			(2,040)
Change in net deferred income taxes			\$ 1,133

None of the adjusted gross or net admitted deferred tax assets were admitted using a tax planning strategy. There was no valuation allowance recorded for deferred tax assets at December 31, 2015 or 2014.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income from operations before federal income tax expense and net realized capital losses. The significant items contributing to this difference are as follows:

	Effective Tax Rate Percentage	
	2015	2014
Provision computed at statutory rate	35.0 %	35.0 %
IMR amortization	(42.2)	(6.0)
Other investments	6.0	-
Other	4.7	(1.8)
Total	3.5 %	27.2 %
Federal income taxes incurred	56.6 %	24.5 %
Realized capital gains tax	34.3	11.7
Change in net deferred income taxes	(87.4)	(9.0)
Total statutory income taxes incurred	3.5 %	27.2 %

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is as follows:

Current year	\$ 1,146
First preceding year	2,916
Second preceding year	4,448

**Note 8. Related Party Transactions**

Various expenses, including rent, telephone, computer operations, printing, supplies and other expenses incurred by the Parent for the mutual benefit of the group, are apportioned between its member companies

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

using allocation methods, which are designed to provide a reasonable representation of the value of the benefits received by the respective companies.

We reported amounts due to the Parent of \$296 and \$436 at December 31, 2015 and 2014, respectively. The balance payable relates to amounts incurred under intercompany service and expense allocation agreements. These agreements require that intercompany balances be settled within 30 days.

We provided group life insurance coverage for employees of United Fire Group, Inc. through December 31, 2015. The total premium received for this coverage was \$789 and \$530 in 2015 and 2014, respectively.

United Fire Group, Inc., has access to a line of credit totaling \$50 million. The Company can access this line of credit through an intercompany transaction whereby the Parent borrows the funds from United Fire Group, Inc. and loans them to us. The Company did not make use of this borrowing capacity during 2015 or 2014.

#### *Federal Home Loan Bank (FHLB) Agreements*

The Company is a member of the FHLB of Des Moines, IA. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged and assets and liabilities related to the agreement with FHLB of Des Moines:

	<u>Current Year</u>	<u>Prior Year</u>
FHLB stock purchased/owned as part of the agreement	\$ 1,963	\$ 1,978
Collateral pledged to the FHLB	-	-
Borrowing capacity currently available	467,824	492,199
Agreement assets and liabilities	-	-

#### **Note 9. Employee Benefit Obligations**

The Parent sponsors a defined benefit pension plan covering substantially all employees of the United Fire Group, Inc. Under this plan, retirement benefits are primarily a function of the number of years of service and the level of compensation. The Parent charges each affiliate for its allocable share of contributions based on a percentage of payroll. Pension costs allocated to the Company were \$394 and \$428 for 2015 and 2014, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a postretirement healthcare benefit plan covering substantially all benefit-eligible employees of the United Fire Group, Inc. The plan pays stated percentages of most necessary medical and dental expenses incurred by retirees, after subtracting payments by Medicare or other providers and after the stated deductible has been met. Participants become eligible for the benefits if they retire from the group after reaching age 55 with 10 or more years of participation in the plan and 10 or more years of employment with the group. The plan is contributory, with retiree contributions generally adjusted annually. Postretirement benefit costs allocated to us were \$776 and \$564 for 2015 and 2014, respectively. We have no legal obligation for benefits under this plan.

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*(In thousands, except policy counts)*

The Parent sponsors a profit-sharing plan in which employees of the United Fire Group, Inc. who meet service requirements are eligible to participate. The amount of contributions to this plan is discretionary and is determined annually, but cannot exceed the amount deductible for federal income tax purposes. Our allocated cost for this plan in 2015 and 2014 was \$207 and \$141, respectively. We have no legal obligation for benefits under this plan.

Prior to October 31, 2015 the Parent had an employee stock ownership plan (the "ESOP") for the benefit of eligible employees and their beneficiaries. In June 2015, the plan administrator decided to merge the ESOP into the United Fire Group, Inc. 401K Plan effective October 31, 2015. Participant ESOP account balances were transferred to each participant's 401K Plan. All employees were eligible to participate in the plan upon completion of specific requirements. Contributions to this plan were at the discretion of the Parent. Our allocated cost for this plan in 2015 and 2014 was \$9 and \$14, respectively. We had no legal obligation for benefits under this plan.

#### **Note 10. Concentrations of Risk**

Annuity considerations represented 49.4 percent or \$72,119 and 72.8 percent or \$146,943, of direct premiums collected in 2015 and 2014, respectively, of which \$27,237 and \$52,639 were collected in Iowa during 2015 and 2014, respectively. Annuity reserves represented 63 percent and 68 percent of our total aggregate reserves for life policies and annuity contracts at December 31, 2015 and 2014, respectively. In both 2015 and 2014, one large marketing agency produced a substantial portion, approximately, 21 percent of all premiums collected in 2015 compared to approximately 28 percent in 2014.

We believe that the risk of substantial unexpected withdrawals of annuity funds while the policy is in the surrender charge period is unlikely based on the penalties inherent in these contracts. All but \$2,801 and \$3,720 of annuity considerations received in 2015 and 2014, respectively, were from the sale of primarily two single premium products. These products have a guaranteed minimum interest rate based on current market conditions with an annual review that allows this rate to increase if market conditions warrant. One has a surrender charge period of six years beginning at 6 percent in the first year and decreasing 1 percent in each of the next five years, while the other has a surrender charge period of four years with 4 percent in years one and two, 3 percent in year three and 2 percent in year four.

We have a renewal program in place that offers the policyowner the opportunity to purchase a new contract with a minimum interest rate based on the market conditions at that time. This program has been in place since the mid 1990's. However, due to current market conditions that have existed over the last few years, at December 31, 2015 and 2014 there was \$290,279, or 39 percent, and \$268,041, or 31.0 percent, respectively, of the annuity account value that was outside the surrender charge period and was earning the minimum interest rate stated in the contract. At December 31, 2015, \$82,295, or 38.9 percent, of these funds were earning between 3.0 percent and 4.0 percent compared to \$91,583 or 47.3 percent, at December 31, 2014. The funds are earning a higher rate of interest than is currently available in the market place, therefore, they are less likely to be surrendered for their cash value in the near future. However, these funds may be paid out at any time due to deaths.

At December 31, 2015, the withdrawal characteristics of our annuity reserves and other deposit-type liabilities are as follows (the Company has only general account funds):

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### Notes to Financial Statements - Statutory-Basis *(In thousands, except policy counts)*

	<u>Amount</u>	<u>Percent of Total</u>
<b>Subject to discretionary withdrawal</b>		
At book value less surrender charge of 5% or more	\$ 131,110	14.1%
At book value without adjustment (minimal or no surrender charge or adjustment)	631,014	68.6%
<b>Not subject to discretionary withdrawal</b>	158,170	17.3%
	<u>\$ 920,294</u>	<u>100.0%</u>

Reinsurance is not applicable to the above amounts.

#### **Note 11. Contingencies**

From time to time, we are a defendant in various legal actions arising from normal business activities. We believe, after consultation with legal counsel, that the ultimate liabilities, if any, resulting from any legal actions will not materially affect our financial position or results of operations.

#### **Note 12. Reconciliation**

Following are the reconciling differences to the 2015 annual statement:

	<u>As Filed</u>	<u>Corrected</u>	<u>Difference</u>
Change in net deferred income tax	846	1,133	(287)
Change in non-admitted assets	(773)	(1,059)	286

#### **Note 13. Subsequent Events**

We have evaluated all events occurring after December 31, 2015, through May 20, 2016, the date the financial statements were available to be issued, to determine if any events required either recognition or disclosure in the financial statements. No material subsequent events were noted.

# **Supplementary Information**

## **Statutory-Basis**





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## Report of Independent Auditors on Supplementary Information

Board of Directors and Stockholder  
United Life Insurance Company

Our audits were conducted for the purpose of forming an opinion on the statutory-basis financial statements as a whole. The accompanying supplemental schedule of selected statutory-basis financial data and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

May 20, 2016

United Life Insurance Company  
 Schedule of Selected Financial Data  
 Year Ended December 31, 2015  
 (In thousands)

Investment income earned:	
U.S. government bonds	\$ 2,020
Other bonds (unaffiliated)	48,822
Preferred stocks (unaffiliated)	193
Common stocks (unaffiliated)	593
Mortgage loans	237
Contract loans	431
Cash and short-term investments	151
Other invested assets	1,367
Aggregate write-ins for investment income	588
Gross investment income	<u>54,402</u>
Mortgage loans – book value:	
Commercial mortgages - good standing	\$ <u>3,961</u>
Other long-term assets	\$ <u>14,988</u>
By Maturity – statement value (prior to non-admitted items):	
Due within one year or less	\$ 116,945
Over 1 year through 5 years	478,693
Over 5 years through 10 years	740,533
Over 10 years through 20 years	113,295
Over 20 years	8,470
Total by maturity	\$ <u>1,457,936</u>
By NAIC designation – statement value (prior to non-admitted items):	
NAIC 1	\$ 908,360
NAIC 2	518,839
NAIC 3	23,554
NAIC 4	6,313
NAIC 5	–
NAIC 6	870
Total by NAIC designation	\$ <u>1,457,936</u>
Bonds and short-term investments publicly traded	\$ <u>1,302,369</u>
Bonds and short-term investments privately placed	\$ <u>155,567</u>
Preferred stocks - book/adjusted carrying value	\$ –
Common stocks - fair value	\$ <u>19,564</u>
Short-term investments - book/adjusted carrying value	\$ <u>8,846</u>
Cash on deposit	\$ <u>8,107</u>
Life insurance in force:	
Ordinary	\$ <u>5,206,958</u>
Credit life	\$ –
Group life	\$ <u>284,973</u>

United Life Insurance Company

Schedule of Selected Financial Data (continued)

Amount of accidental death insurance in force under ordinary policies	\$ 37,454
Life insurance policies with disability provisions in force:	
Ordinary	\$ 3,375
Supplementary contracts in force:	
Ordinary – not involving life contingencies:	
On deposit	\$ 51,293
Income payable	\$ 4,881
Ordinary – involving life contingencies:	
Income payable	\$ 2,692
Annuities:	
Ordinary:	
Immediate – amount of income payable	\$ 5,923
Deferred – fully paid – account balance	\$ 698,564
Deferred – not fully paid – account balance	\$ 46,368
Accident and health insurance – premiums in force:	
Other	\$ 1,587
Deposit funds and dividend accumulations:	
Deposit funds – account balance	\$ 61,623
Claim payments – year ended December 31, 2015:	
Other accident and health:	
2015	\$ 141
2014	\$ 203
2013	\$ 173
2012	\$ 172
2011	\$ 177
Prior	\$ 3,295

United Life Insurance Company  
 Summary Investment Schedule  
 December 31, 2015  
 (In thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement Securities		
	Amount	Percentage	Amount	Lending	Percentage
<b>Bonds:</b>					
U.S. treasury securities	\$ 763	0.1%	\$ 763	\$ -	0.1%
U.S. government agency:					
Issued by U.S. government agencies	-	0.0%	-	-	0.0%
Issued by U.S. government sponsored agencies	100,892	6.7%	100,892	-	6.7%
Foreign government	-	0.0%	-	-	0.0%
Securities issued by states, territories, and possessions:					
States territories and possessions general obligations	-	0.0%	-	-	0.0%
Political subdivisions of states, territories, and possessions general obligations	-	0.0%	-	-	0.0%
Revenue and assessment obligations	9,414	0.6%	9,414	-	0.6%
Industrial development and similar obligations	6,822	0.4%	6,822	-	0.4%
Mortgage-backed securities (includes residential and commercial MBS):					
Pass-through securities:					
Guaranteed by GNMA	55	0.0%	55	-	0.0%
Issued by FNMA and FHLMC	1,484	0.1%	1,484	-	0.1%
All other	-	0.0%	-	-	0.0%
CMOs and Remies:					
Issued by FNMA and FHLMC	226,071	15.0%	226,071	-	15.0%
Privately issued and collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	-	0.0%	-	-	0.0%
All other privately issued	-	0.0%	-	-	0.0%
Other debt and other fixed income securities (excluding short-term):					
Unaffiliated domestic (including credit tenant loans and hybrid securities)	1,002,095	66.4%	1,002,095	-	66.4%
Unaffiliated non-U.S. securities (including Canada)	101,494	6.7%	101,494	-	6.7%
Affiliated securities	-	0.0%	-	-	0.0%
Equity interests:					
Investments in mutual funds	136	0.0%	136	-	0.0%
Preferred stocks:					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	-	0.0%	-	-	0.0%
Publicly traded (excluding preferred stocks):					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	17,465	1.1%	17,465	-	1.1%
Other equity securities:					
Affiliated	-	0.0%	-	-	0.0%
Unaffiliated	1,962	0.1%	1,962	-	0.1%
Mortgage loans:					
Commercial loans	3,961	0.3%	3,961	-	0.3%
Contract loans	5,618	0.4%	5,618	-	0.4%
Receivable for securities	-	0.0%	-	-	0.0%
Cash and short-term investments	16,953	1.1%	16,953	-	1.1%
Other invested assets	14,988	1.0%	14,988	-	1.0%
<b>Total invested assets</b>	<b>\$ 1,510,173</b>	<b>100.0%</b>	<b>\$ 1,510,173</b>	<b>\$ -</b>	<b>100.0%</b>

United Life Insurance Company

Note to Supplementary Information

December 31, 2015

**Note – Basis of Presentation**

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2015, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2015 Statutory Annual Statement as filed with the Insurance Division, Department of Commerce, of the State of Iowa.



# SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2015  
 (To Be Filed by April 1)

Of The United Life Insurance Company .....  
 ADDRESS (City, State and Zip Code) Cedar Rapids, IA 52401-1212 .....  
 NAIC Group Code 0248 ..... NAIC Company Code 68973 ..... Federal Employer's Identification Number (FEIN) 42-6061168 .....

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement ..... \$ 1,535,949,770

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal National Mortgage Assoc	Bonds	\$ 30,406,968	2.0 %
2.02	Federal Farm Credit Banks	Bonds	\$ 27,758,082	1.8 %
2.03	Federal Home Loan Banks	Bonds	\$ 24,292,086	1.6 %
2.04	Federal Home Loan Mortgage Corp	Bonds	\$ 18,434,415	1.2 %
2.05	Principal Enhanced Property Fund	Partnership	\$ 12,567,808	0.8 %
2.06	Pfizer Inc	Bonds	\$ 10,894,373	0.7 %
2.07	MassMutual Global Funding II	Bonds	\$ 10,097,474	0.7 %
2.08	FIC Corporation	Bonds	\$ 9,179,389	0.6 %
2.09	Mosaic Company	Bonds	\$ 8,096,394	0.5 %
2.10	AT&T Inc	Bonds	\$ 8,079,394	0.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds		Preferred Stocks			
	1	2	3	4		
3.01	NAIC-1	\$ 908,359,800	59.1 %	3.07 P/RP-1	\$ 0	0.0 %
3.02	NAIC-2	\$ 518,859,024	33.8 %	3.08 P/RP-2	\$ 0	0.0 %
3.03	NAIC-3	\$ 23,554,269	1.5 %	3.09 P/RP-3	\$ 0	0.0 %
3.04	NAIC-4	\$ 6,313,210	0.4 %	3.10 P/RP-4	\$ 0	0.0 %
3.05	NAIC-5	\$ 0	0.0 %	3.11 P/RP-5	\$ 0	0.0 %
3.06	NAIC-6	\$ 870,000	0.1 %	3.12 P/RP-6	\$ 0	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ X ]  
 If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.  
 4.02 Total admitted assets held in foreign investments ..... \$ 70,365,497 ..... 4.6 %  
 4.03 Foreign-currency-denominated investments ..... \$ 0 ..... 0.0 %  
 4.04 Insurance liabilities denominated in that same foreign currency ..... \$ 0 ..... 0.0 %

SUPPLEMENT FOR THE YEAR 2015 OF THE United Life Insurance Company

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2
5.01 Countries designated NAIC-1 .....	\$ 67,721,295	4.4 %
5.02 Countries designated NAIC-2 .....	\$ 2,644,294	0.2 %
5.03 Countries designated NAIC-3 or below .....	\$ 0	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
6.01 Country 1: Great Britain .....	\$ 30,265,681	2.0 %
6.02 Country 2: Luxembourg .....	\$ 13,467,385	0.9 %
Countries designated NAIC - 2:		
6.03 Country 1: Spain .....	\$ 2,344,294	0.2 %
6.04 Country 2: Iceland .....	\$ 300,000	0.0 %
Countries designated NAIC - 3 or below:		
6.05 Country 1: .....	\$ 0	0.0 %
6.06 Country 2: .....	\$ 0	0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure .....	\$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

	1	2
8.01 Countries designated NAIC-1 .....	\$	0.0 %
8.02 Countries designated NAIC-2 .....	\$	0.0 %
8.03 Countries designated NAIC-3 or below .....	\$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
9.01 Country 1: .....	\$	0.0 %
9.02 Country 2: .....	\$	0.0 %
Countries designated NAIC - 2:		
9.03 Country 1: .....	\$	0.0 %
9.04 Country 2: .....	\$	0.0 %
Countries designated NAIC - 3 or below:		
9.05 Country 1: .....	\$	0.0 %
9.06 Country 2: .....	\$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1	2	3	4
	Issuer	NAIC Designation		
10.01 Alibaba Group Holdings Ltd .....	1FE		\$ 6,970,396	0.5 %
10.02 Tyco Electronics Group .....	1FE		\$ 5,288,696	0.3 %
10.03 United Utilities PLC .....	2FE		\$ 5,242,754	0.3 %
10.04 BG Energy Capital PLC .....	1FE		\$ 5,143,007	0.3 %
10.05 Diageo Capital PLC .....	2FE		\$ 5,122,304	0.3 %
10.06 Weatherford Intl Ltd Bermuda .....	3FE		\$ 4,750,085	0.3 %
10.07 Vodafone Group PLC .....	2FE		\$ 3,437,105	0.2 %
10.08 White Mountains Re Group .....	2FE		\$ 3,152,198	0.2 %
10.09 Holcim US Finance .....	2FE		\$ 3,151,480	0.2 %
10.10 Enso PLC .....	2FE		\$ 3,109,094	0.2 %

SUPPLEMENT FOR THE YEAR 2015 OF THE United Life Insurance Company

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

	1	2
11.02 Total admitted assets held in Canadian investments .....	\$ .....0	.....0.0 %
11.03 Canadian-currency-denominated investments .....	\$ .....0	.....0.0 %
11.04 Canadian-denominated insurance liabilities .....	\$ .....0	.....0.0 %
11.05 Unhedged Canadian currency exposure .....	\$ .....0	.....0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions .....	\$ .....		.....0.0 %
Largest three investments with contractual sales restrictions:			
12.03 .....	\$ .....		.....0.0 %
12.04 .....	\$ .....		.....0.0 %
12.05 .....	\$ .....		.....0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02 .....	\$ .....		.....0.0 %
13.03 .....	\$ .....		.....0.0 %
13.04 .....	\$ .....		.....0.0 %
13.05 .....	\$ .....		.....0.0 %
13.06 .....	\$ .....		.....0.0 %
13.07 .....	\$ .....		.....0.0 %
13.08 .....	\$ .....		.....0.0 %
13.09 .....	\$ .....		.....0.0 %
13.10 .....	\$ .....		.....0.0 %
13.11 .....	\$ .....		.....0.0 %



SUPPLEMENT FOR THE YEAR 2015 OF THE United Life Insurance Company

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities .....	\$ .....		0.0 %
Largest three investments held in nonaffiliated, privately placed equities:			
14.03 .....	\$ .....		0.0 %
14.04 .....	\$ .....		0.0 %
14.05 .....	\$ .....		0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests .....	\$ .....		0.0 %
Largest three investments in general partnership interests:			
15.03 .....	\$ .....		0.0 %
15.04 .....	\$ .....		0.0 %
15.05 .....	\$ .....		0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ X ] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
Type (Residential, Commercial, Agricultural)			
16.02 .....	\$ .....		0.0 %
16.03 .....	\$ .....		0.0 %
16.04 .....	\$ .....		0.0 %
16.05 .....	\$ .....		0.0 %
16.06 .....	\$ .....		0.0 %
16.07 .....	\$ .....		0.0 %
16.08 .....	\$ .....		0.0 %
16.09 .....	\$ .....		0.0 %
16.10 .....	\$ .....		0.0 %
16.11 .....	\$ .....		0.0 %

SUPPLEMENT FOR THE YEAR 2015 OF THE United Life Insurance Company

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	
16.12 Construction loans	\$	0.0 %
16.13 Mortgage loans over 90 days past due	\$	0.0 %
16.14 Mortgage loans in the process of foreclosure	\$	0.0 %
16.15 Mortgage loans foreclosed	\$	0.0 %
16.16 Restructured mortgage loans	\$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.02 81 to 85%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.03 81 to 90%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.04 71 to 80%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.05 below 70%	\$	0.0 %	\$	0.0 %	\$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

Description	1		2		3	
18.02	\$	0.0 %	\$	0.0 %	\$	0.0 %
18.03	\$	0.0 %	\$	0.0 %	\$	0.0 %
18.04	\$	0.0 %	\$	0.0 %	\$	0.0 %
18.05	\$	0.0 %	\$	0.0 %	\$	0.0 %
18.06	\$	0.0 %	\$	0.0 %	\$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

Description	1		2		3	
19.02 Aggregate statement value of investments held in mezzanine real estate loans:	\$	0.0 %	\$	0.0 %	\$	0.0 %
Largest three investments held in mezzanine real estate loans:						
19.03	\$	0.0 %	\$	0.0 %	\$	0.0 %
19.04	\$	0.0 %	\$	0.0 %	\$	0.0 %
19.06	\$	0.0 %	\$	0.0 %	\$	0.0 %

SUPPLEMENT FOR THE YEAR 2015 OF THE United Life Insurance Company

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 0	0.0 %	\$	\$	\$
20.02 Repurchase agreements	\$ 0	0.0 %	\$	\$	\$
20.03 Reverse repurchase agreements	\$ 0	0.0 %	\$	\$	\$
20.04 Dollar repurchase agreements	\$ 0	0.0 %	\$	\$	\$
20.05 Dollar reverse repurchase agreements	\$ 0	0.0 %	\$	\$	\$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		3	Written	
	1	2		4	5
21.01 Hedging	\$ 0	0.0 %	\$ 0	0.0 %	
21.02 Income generation	\$ 0	0.0 %	\$ 0	0.0 %	
21.03 Other	\$ 0	0.0 %	\$ 0	0.0 %	

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
22.01 Hedging	\$ 0	0.0 %	\$	\$	\$
22.02 Income generation	\$ 0	0.0 %	\$	\$	\$
22.03 Replications	\$ 0	0.0 %	\$	\$	\$
22.04 Other	\$ 0	0.0 %	\$	\$	\$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01 Hedging	\$ 0	0.0 %	\$	\$	\$
23.02 Income generation	\$	0.0 %	\$	\$	\$
23.03 Replications	\$	0.0 %	\$	\$	\$
23.04 Other	\$	0.0 %	\$	\$	\$

**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION - STATUTORY - BASIS**

**United Life Insurance Company  
Years Ended December 31, 2014 and 2013  
With Reports of Independent Auditors**

United Life Insurance Company  
Financial Statements and Supplementary Information  
Statutory-Basis  
Years Ended December 31, 2014 and 2013

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## Report of Independent Auditors

Board of Directors and Stockholder  
United Life Insurance Company

We have audited the accompanying statutory-basis financial statements of United Life Insurance Company (the Company), which comprise the statements of admitted assets, liabilities, and capital and surplus as of December 31, 2014 and 2013, and the related statutory-basis statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa. Management also is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of United Life Insurance Company at December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa.

### **Basis of Accounting**

As described in Note 2 to the financial statements, to meet the requirements of Iowa, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Restriction of Use**

Our auditors' report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

May 18, 2015

United Life Insurance Company  
 Statements of Admitted Assets, Liabilities and  
 Capital and Surplus – Statutory-Basis

	December 31	
	2014	2013
	<i>(In Thousands)</i>	
<b>Admitted assets</b>		
Cash and invested assets:		
Bonds	\$ 1,516,503	\$ 1,554,966
Preferred stocks	3,910	3,766
Common stocks	24,319	23,042
Mortgage loans	4,199	4,423
Contract loans	5,916	6,261
Short-term investments	35,430	6,984
Cash	6,822	9,962
Other invested assets	13,482	12,653
Total cash and invested assets	<u>1,610,581</u>	<u>1,622,057</u>
Life insurance premiums due and uncollected and agents' balances	5,313	5,146
Investment income due and accrued	13,609	15,875
Federal income tax recoverable	287	–
Deferred federal income tax	4,873	4,728
Other admitted assets	701	213
Total admitted assets	<u>\$ 1,635,364</u>	<u>\$ 1,648,019</u>
<b>Liabilities and capital and surplus</b>		
Liabilities:		
Aggregate reserves:		
Life policies and annuity contracts	\$ 1,314,097	\$ 1,341,473
Accident and health policies	5,896	6,323
Liability for deposit-type contracts	116,891	113,499
Policy and contract claims	3,060	2,033
Other policy and contract liabilities	2,100	1,863
Accrued expenses and other liabilities	6,976	6,704
Payable for securities	14,311	–
Federal income tax payable	–	215
Asset valuation reserve	16,366	17,935
Total liabilities	<u>1,479,697</u>	<u>1,490,045</u>
Capital and surplus:		
Common stock (par value \$15,000; 500 shares authorized; 351 shares issued and outstanding)	5,265	5,265
Gross paid in and contributed surplus	63,783	63,783
Unassigned surplus	86,619	88,926
Total capital and surplus	<u>155,667</u>	<u>157,974</u>
Total liabilities and capital and surplus	<u>\$ 1,635,364</u>	<u>\$ 1,648,019</u>

See accompanying notes.



United Life Insurance Company  
 Statements of Operations – Statutory-Basis

	Years Ended December 31	
	2014	2013
	<i>(In Thousands)</i>	
Premiums and annuity considerations	\$ 198,850	\$ 164,347
Considerations from supplementary contracts with life contingencies	6,373	4,932
Net investment income	59,545	65,741
Other income	2,474	2,710
<b>Total income</b>	<b>267,242</b>	<b>237,730</b>
Death benefits and matured endowments	22,965	18,646
Annuity benefits	47,812	43,466
Disability and accident and health benefits	1,113	1,224
Surrender benefits and other fund withdrawals	188,806	157,099
Interest and adjustments on policy or deposit-type contract funds	3,223	3,500
Payments on supplementary contracts with life contingencies	2,753	2,752
Change in aggregate reserves	(27,803)	(20,156)
<b>Total policy benefits</b>	<b>238,869</b>	<b>206,531</b>
Commission expense	12,896	12,467
General insurance expenses	9,354	9,082
Insurance taxes, licenses, and fees	1,226	1,432
<b>Total policy benefits and expenses</b>	<b>262,345</b>	<b>229,512</b>
Income from operations before federal income tax expense and net realized capital gains	4,897	8,218
Federal income tax expense	1,956	3,089
Income before net realized capital gains	2,941	5,129
Net realized capital gains	576	813
<b>Net income</b>	<b>\$ 3,517</b>	<b>\$ 5,942</b>

*See accompanying notes.*

## United Life Insurance Company

### Statements of Changes in Capital and Surplus – Statutory-Basis

	Years Ended December 31	
	2014	2013
	<i>(In Thousands)</i>	
Capital and surplus, beginning of year	\$ 157,974	\$ 158,720
Net income	3,517	5,942
Change in net unrealized gains	1,889	2,593
Change in net deferred income tax	717	693
Change in non-admitted assets	1	821
Change in asset valuation reserve	1,569	(795)
Dividends paid to stockholder	(10,000)	(10,000)
Net change in capital and surplus for the year	(2,307)	(746)
Total capital and surplus, end of year	\$ 155,667	\$ 157,974

*See accompanying notes.*

United Life Insurance Company

Statements of Cash Flow – Statutory-Basis

	Years Ended December 31	
	2014	2013
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Premiums collected, net of reinsurance paid	\$ 205,041	\$ 169,079
Net investment income received	70,820	77,665
Other income received	1,123	973
Benefits and losses paid, net of reinsurance recoveries	(266,120)	(227,287)
Commissions and other expenses paid	(22,802)	(23,555)
Federal income taxes paid	(3,394)	(2,139)
Net cash used in operating activities	(15,332)	(5,264)
<b>Investing activities</b>		
Proceeds from investments sold, matured, or repaid	379,100	336,608
Cost of investments acquired	(346,106)	(320,076)
Net decrease in contract loans	345	411
Net cash provided by investing activities	33,339	16,943
<b>Financing and other activities</b>		
Net deposits on deposit-type contracts and other insurance liabilities	3,392	(1,539)
Dividends paid to stockholder	(10,000)	(10,000)
Other cash provided (used)	13,907	(4,942)
Net cash provided by (used in) financing and other activities	7,299	(16,481)
Net increase (decrease) in cash and short-term investments	25,306	(4,802)
Cash and short-term investments, beginning of year	16,946	21,748
Cash and short-term investments, end of year	\$ 42,252	\$ 16,946

See accompanying notes.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

December 31, 2014 and 2013

#### Note 1. Organization

United Life Insurance Company (the "Company", or "our", or "us"; or "we") is an Iowa domiciled legal reserve stock life insurance company and is licensed in 37 states, primarily in the Midwest and Western United States. The Company underwrites and markets ordinary life insurance (primarily universal life, single premium whole life and term life) and annuities (primarily single premium) to individuals and groups through independent agencies. Approximately 70.8% of direct premiums in 2014 were written in five states: Iowa, Wisconsin, Minnesota, Illinois, and Nebraska.

The Company is wholly owned by United Fire & Casualty Company ("the Parent") which is the lead insurance company of the publicly held corporation, United Fire Group, Inc., an Iowa corporation. United Fire & Casualty Company owns 100 percent of six other subsidiaries: Addison Insurance Company, Mercer Insurance Group, Inc., Lafayette Insurance Company, United Fire & Indemnity Company, American Indemnity Financial Corporation and United Real Estate Holdings, LLC.

In addition, Mercer Insurance Group, Inc. owns 100 percent of two subsidiaries: Mercer Insurance Company and Financial Pacific Insurance Group, Inc. Mercer Insurance Company owns 100 percent of three subsidiaries: Mercer Insurance Company of New Jersey, Inc., Franklin Insurance Company and BICUS Services Corporation. Financial Pacific Insurance Group, Inc. owns 100 percent of one affiliate: Financial Pacific Insurance Company. United Fire & Indemnity Company has one affiliate: United Fire Lloyds. American Indemnity Financial Corporation owns 100 percent of one subsidiary: Texas General Indemnity Company.

#### Note 2. Accounting Policies

##### Basis of Reporting

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa (the Iowa Insurance Department), which differ from U.S. generally accepted accounting principles ("GAAP"). The *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners (NAIC) has been adopted as a component of prescribed or permitted practices by the state of Iowa. The Iowa Insurance Department has the right to permit or prescribe specific practices that deviate from those set forth in the NAIC's *Accounting Practices and Procedures Manual*. The Company does not use any permitted accounting practices.

Certain reclassifications have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or capital and surplus of the prior period.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

The more significant variances from GAAP are as follows:

*Investments:* Investments in bonds are generally reported at cost or amortized cost, while GAAP requires that such securities be classified as held-to-maturity, available-for-sale, or trading. Under GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with unrealized gains and losses reported as a component of current operations or as a component of accumulated other comprehensive income, respectively.

Fair values of certain investments in bonds and stocks are based on values specified by the National Association of Insurance Commissioners ("NAIC") rather than on actual or estimated fair values.

Other-than-temporary impairment ("OTTI") charges are reported in operations. Under GAAP, realized losses from OTTI charges on bonds attributable to a deterioration in credit are reported in operations while OTTI charges related to other factors are reported in accumulated other comprehensive income.

The Asset Valuation Reserve ("AVR") and Interest Maintenance Reserve ("IMR") are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of capital and surplus.

- i) The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus.
- ii) The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into operations on a straight-line basis over the remaining period to maturity based on groupings of individual securities sold in five-year bands.

Realized capital gains and losses are reported in operations, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis. Under GAAP, realized capital gains and losses are reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

*Deferred Income Taxes:* Deferred tax assets and liabilities are recognized and deferred tax assets are admitted based on prescribed limitations. Changes in deferred tax assets and liabilities are charged or credited directly to surplus. Deferred taxes do not include amounts for state taxes.

Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, provided certain risk-based capital thresholds are met, and (3) the amount of remaining gross

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted.

Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and the change in net deferred taxes is included in earnings.

*Policy Acquisition Costs:* Commissions and other costs of acquiring new business are charged to operations as incurred rather than being deferred and amortized to expense in proportion to the expected premium revenue or gross profits. The effect of the nondeferral of these acquisition costs is partially offset by the use of modified reserve valuation methods.

*Non-admitted Assets:* Certain assets designated as "non-admitted assets" (principally certain receivables and non-operating system software, and other assets not specifically identified as an admitted asset within the NAIC's *Accounting Practices and Procedures Manual*) are charged directly to unassigned surplus.

*Benefit Reserves:* Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioner's Annuity Reserve Valuation Method.

*Reinsurance:* The reserves for certain policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserve amounts rather than as assets as would be required under GAAP.

*Revenues:* Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

*Statements of Cash Flow:* Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and investments with initial maturities of three months or less.

If the accompanying financial statements had been prepared in conformity with GAAP, reported capital and surplus as of December 31, 2014 and 2013 would have been \$230,207 and \$222,986, respectively, and net income for the years ended December 31, 2014 and 2013 would have been \$7,014 and \$8,736, respectively.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

#### **Use of Estimates**

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

#### **Investments**

Investments are stated at values prescribed or permitted by the NAIC:

Bonds not backed by other loans are stated at amortized cost, except for NAIC class 6 bonds, which are stated at the lower of cost or fair value.

Preferred stocks are stated at the lower of cost or fair value.

Common stocks are stated at fair value with the related unrealized capital gains and losses reported in unassigned surplus along with any adjustment for federal income taxes.

Mortgage loans are stated at amortized cost.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at amortized cost, which approximates fair value.

Other invested assets are partially comprised of minor ownership interests in limited liability companies and are stated at values that are based on the Company's interest in the underlying audited GAAP equity of the investee. The other portion is comprised of pooled separate account funds and are stated at the estimated fair value provided by the fund managers based on the net asset values of the underlying assets of the investment. They are recorded on the equity method of accounting with no adjustments to the net asset values provided by the fund managers. Changes in the value of these investments are recorded directly to surplus and income is recorded when amounts in excess of the initial investment are distributed.

Amortization of bond premiums and accretion of bond discount are recognized on an effective yield method. Realized gains or losses on investments sold are determined on a specific identification basis.

All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations, are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective adjustment method. If we determine that a decline in fair value for these types of securities is other-than-temporary, an OTTI charge will be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and fair value of the security if we intend to sell the security or have assessed that we do not have the intent and ability to retain our investment in the security for a period of time sufficient to allow for the recovery of its amortized cost basis. However, an OTTI charge will also be recorded as a component of net realized capital losses based on the

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

difference between the amortized cost basis and the present value of future cash flows for the security even if we do not intend to sell the security and there is an intent and ability to hold the security if we determine that we will not recover its amortized cost basis.

Our accounting policy for investment impairment recognition requires OTTI charges to be recorded when it is determined that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of bonds or that the anticipated recovery in fair value of the common stocks will not occur in a reasonable amount of time. OTTI charges are recorded based on the fair value of the impaired investment at the measurement date and are recognized as a component of net realized capital losses. Factors considered in evaluating whether a decline in value is other-than-temporary for these types of securities include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery; and the likelihood that we will be required to sell the investment. The Company did not incur any OTTI charges in 2014 or 2013.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. If any impairment is deemed other-than-temporary, the mortgage loan is written down to realizable value, and a realized loss is recognized in the statutory-basis statements of operations. There were no OTTI charges for mortgage loans in 2014 and 2013.

#### **Aggregate Reserves**

In accordance with the insurance laws under which we operate, we have actuarially computed reserves to meet our obligations on various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company's policy obligations as they are expected to occur. While we believe the liabilities for aggregate reserves are adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

We waive deduction of deferred fractional premiums upon the death of the insured and return any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Substandard reserves are determined using the present value of future benefits. Policies issued for substandard lives are charged an extra premium in addition to the regular gross premiums for the rated age.

The Tabular Interest, Tabular Less Actual Reserve Released, and the Tabular Cost, which are components of the aggregate reserving calculation, have been determined by formula as described in the NAIC *Annual Statement Instructions*. The Tabular Interest on funds not involving life contingencies has been determined by formula as described in those instructions, which is then validated by an independent calculation using appropriate valuation rates and mean liabilities.



## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

Anticipated investment income was not utilized in the calculation of any premium deficiency reserve. Premium deficiency reserves were evaluated at December 31, 2014 and 2013. This reserve totaled \$2,505 and \$2,880 at December 31, 2014 and 2013, respectively.

The following table summarizes the primary valuation methods followed, the mortality tables used, and the interest rates assumed in computing the liabilities for aggregate life policy reserves:

<b>Valuation Method</b>	<b>Mortality Table</b>	<b>Interest Rate</b>
Commissioners reserve valuation method	1958 CSO	3 – 4 ½%
Commissioners reserve valuation method	1980 CSO	4 – 6%
Commissioners reserve valuation method	2001 CSO	3 ½ – 4 ½%
Net level premium	1958 CSO	3 – 4 ½%
Net level premium	1980 CSO	4 – 5%
Net level premium	2001 CSO	3 ½ – 4 ½%
Immediate annuity	1983 IAM	5 ½ – 10%
Immediate annuity	a-2000	2.65 – 7%

#### **Policy and Contract Claims**

The liability for policy and contract claims is based on estimates of the costs of individual cases for losses and claims reported prior to year-end and unpaid, and also includes an estimate for losses incurred but not yet reported. These estimates are based on historical experience, along with certain assumptions about future events. Changes in assumptions for such things as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. While management believes the liability for policy and contract claims is adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

#### **Recognition of Premium Revenue and Related Expenses**

Premiums are recognized on the anniversary date of the policy for traditional life business (i.e., term and whole life) and as received for nontraditional life business (i.e., universal life) and annuities. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

#### **Allocation of Expenses**

General insurance expenses, taxes, licenses and fees, and investment expenses are allocated on a direct basis whenever possible. When not possible to allocate on a direct basis, one of the following methods is used as appropriate to the individual expense being allocated: premium collected, in-force amount, policy count or reserve amount. Inter-company agreements exist where United Fire & Casualty Company, incurs expenses for the benefit of the group. The following agreements exist: expenses agreement, federal

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

income tax agreement and investment expense allocation. These agreements require that inter-company balances be settled within 30-days. There is also a credit agreement where the Parent can borrow from the Company and /or the Company can borrow from the Parent at a fixed interest rate to facilitate cash flow.

**Note 3. Investments**

The adjusted book value and fair value of our investments in bonds, preferred stocks and common stocks held by us at December 31, 2014 and 2013 are as follows:

	Adjusted Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>At December 31, 2014</b>				
Bonds:				
U.S. government	\$ 776	\$ 4	\$ -	\$ 780
Special revenue	210,441	2,199	1,472	211,168
Industrial and miscellaneous	1,041,849	30,154	4,949	1,067,054
Loan backed	263,437	7,135	3,516	267,056
<b>Total bonds</b>	<b>1,516,503</b>	<b>39,492</b>	<b>9,937</b>	<b>1,546,058</b>
Common stocks:				
Industrial and miscellaneous	8,474	15,702	43	24,133
Mutual funds	236	-	50	186
<b>Total common stocks</b>	<b>8,710</b>	<b>15,702</b>	<b>93</b>	<b>24,319</b>
Preferred stocks	3,910	56	-	3,966
<b>Total</b>	<b>\$ 1,529,123</b>	<b>\$ 55,250</b>	<b>\$ 10,030</b>	<b>\$ 1,574,343</b>
<b>At December 31, 2013</b>				
Bonds:				
U.S. government	\$ 1,295	\$ 10	\$ -	\$ 1,305
Special revenue	153,011	-	9,809	143,202
Industrial and miscellaneous	1,148,552	30,794	11,396	1,167,950
Loan backed	252,108	2,492	13,343	241,257
<b>Total bonds</b>	<b>1,554,966</b>	<b>33,296</b>	<b>34,548</b>	<b>1,553,714</b>
Common stocks:				
Industrial and miscellaneous	8,530	14,340	24	22,846
Mutual funds	277	-	81	196
<b>Total common stocks</b>	<b>8,807</b>	<b>14,340</b>	<b>105</b>	<b>23,042</b>
Preferred stocks	3,766	-	-	3,766
<b>Total</b>	<b>\$ 1,567,539</b>	<b>\$ 47,636</b>	<b>\$ 34,653</b>	<b>\$ 1,580,522</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The following is a summary of the categories of earned investment income and related expenses:

	<b>12/31/2014</b>	<b>12/31/2013</b>
U.S. government bonds	\$ 1,754	\$ 1,225
Other bonds (unaffiliated)	55,548	62,619
Preferred stocks (unaffiliated)	237	147
Common stocks (unaffiliated)	546	459
Mortgage loans	252	265
Contract loans	458	486
Cash and short-term investments	83	66
Other invested assets	727	504
Aggregate write-ins for investment income	1,125	1,083
Gross Investment Income	\$ 60,730	\$ 66,854
Investment expenses	1,185	1,113
Net investment income	\$ 59,545	\$ 65,741

The adjusted book value and fair value of bonds by contractual maturity at December 31, 2014 are shown below. Expected maturities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	<b>Adjusted Book Value</b>	<b>Fair Value</b>
Due in one year or less	\$ 194,866	\$ 197,755
Due after one year through five years	319,668	331,466
Due after five years through ten years	566,838	576,248
Due after ten years	209,783	213,687
Mortgage-backed securities	2,038	2,032
Collateralized mortgage obligations	223,310	224,870
Total bonds	\$ 1,516,503	\$ 1,546,058

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The following table summarizes information concerning the disposal of bonds and stocks:

	Years Ended December 31	
	2014	2013
Proceeds from sales and repayments - bonds	\$ 378,083	\$ 331,651
Proceeds from sales - stocks	790	523
	<u>\$ 378,873</u>	<u>\$ 332,174</u>
Gross realized gains from sales - bonds	\$ 64	\$ 437
Gross realized gains from repayments - bonds	2,613	1,825
Gross realized gains from sales - stocks	420	261
Gross realized gains from sales - other assets	-	1,198
Gross realized losses from sale - bonds	-	(82)
Gross realized losses from sales - stocks	(4)	(7)
Gross realized losses from repayments - other assets	-	(342)
	<u>3,093</u>	<u>3,290</u>
Amount transferred to the IMR	2,433	2,180
Federal income tax expense	84	297
Net realized capital gains	<u>\$ 576</u>	<u>\$ 813</u>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

A summary of our investments in bonds and common stocks that were in an unrealized loss position at December 31, 2014 and 2013 is provided below. We believe the unrealized depreciation in value of these investments is primarily attributable to market price interest rates and not the credit quality of the issuer of the respective securities. We have no intent to sell and it is more likely than not that we will not be required to sell the securities until such time that the fair value recovers or the securities mature.

	Less than 12 months			Greater than 12 months			Total	
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>At December 31, 2014</b>								
Bonds:								
Special revenue	7	\$ 54	\$ 32,610	13	\$ 1,418	\$ 54,229	\$ 1,472	\$ 86,839
Industrial and miscellaneous	36	1,653	108,187	19	3,296	51,481	4,949	159,668
Loan backed	5	64	10,996	30	3,452	87,221	3,516	98,217
<b>Total bonds</b>	<b>48</b>	<b>1,771</b>	<b>151,793</b>	<b>62</b>	<b>8,166</b>	<b>192,931</b>	<b>9,937</b>	<b>344,724</b>
Common stocks:								
Industrial and miscellaneous	2	43	235	-	-	-	43	235
Mutual funds	1	50	186	-	-	-	50	186
<b>Total common stocks</b>	<b>3</b>	<b>93</b>	<b>421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>421</b>
<b>Total</b>	<b>51</b>	<b>\$ 1,864</b>	<b>\$ 152,214</b>	<b>62</b>	<b>\$ 8,166</b>	<b>\$ 192,931</b>	<b>\$ 10,030</b>	<b>\$ 345,145</b>
<b>At December 31, 2013</b>								
Bonds:								
Special revenue	40	\$ 9,809	\$ 142,972	-	\$ -	\$ -	\$ 9,809	\$ 142,972
Industrial and miscellaneous	93	9,960	304,428	5	1,436	13,421	11,396	317,849
Loan backed	50	7,713	131,788	16	5,630	53,091	13,343	184,879
<b>Total bonds</b>	<b>183</b>	<b>27,482</b>	<b>579,188</b>	<b>21</b>	<b>7,066</b>	<b>66,512</b>	<b>34,548</b>	<b>645,700</b>
Common stocks:								
Industrial and miscellaneous	-	-	-	2	24	250	24	250
Mutual funds	-	-	-	1	81	196	81	196
<b>Total common stocks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>105</b>	<b>446</b>	<b>105</b>	<b>446</b>
<b>Total</b>	<b>183</b>	<b>\$ 27,482</b>	<b>\$ 579,188</b>	<b>24</b>	<b>\$ 7,171</b>	<b>\$ 66,958</b>	<b>\$ 34,653</b>	<b>\$ 646,146</b>

We have evaluated the unrealized losses reported for all of our securities at December 31, 2014, and have concluded that the duration and severity of these losses do not warrant the recognition of an OTTI charge at December 31, 2014. Our largest unrealized loss greater than 12 months on an individual security at December 31, 2014, was \$1,417. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

At December 31, 2014 and 2013, various invested assets (primarily bonds) with a book value of \$1,587,949 and \$1,596,803, respectively, were on deposit with or available to insurance departments of various states to meet statutory requirements.

There were no interest rate reductions on mortgage loans during 2014 or 2013.

We do not engage in off-balance sheet, derivative or hedging activities, and there are no significant industry, credit risk, or other concentrations.

The Company invests in mortgage loans collateralized by commercial real estate. The aggregate mortgages outstanding to any one borrower do not exceed \$3,636. During 2014, no new mortgage loans were issued. At December 31, 2014, loan value of \$3,636 (87%) and \$563 (13%) of outstanding mortgage loans was located in the state of Virginia and Michigan, respectively. No mortgage loans were deemed other-than-temporarily impaired in 2014 or 2013.

United Life Insurance Company

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(In thousands, except policy counts)

*Restricted Assets*

Total restricted assets at December 31, 2014 and 2013 were \$3,504 and \$3,557.

The following table contains information regarding structured notes:

CUSIP Identification	Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage- Referenced Security (Yes/No)
3130A 1-YG-7	\$ 3,000	\$ 3,013	\$ 3,000	No
3130A 2-GH-3	7,999	8,010	7,999	No
3130A 3-EE-0	4,999	5,004	4,999	No
3130A 3-FP-4	2,982	3,006	2,983	No
3130A 3-RU-0	9,647	9,634	9,647	No
313382-4A-8	2,084	2,151	2,100	No
313382-M5-9	5,000	5,001	5,000	No
313383-5L-1	1,449	1,504	1,452	No
313383-AH-4	3,000	2,947	3,000	No
3134G4-X4-5	7,964	8,026	7,971	No
3134G5-E9-2	3,000	3,006	3,000	No
3136G0-MC-2	2,978	2,983	2,980	No
3136G0-PF-2	2,931	2,956	2,943	No
3136G0-PY-1	3,910	4,002	3,955	No
3136G0-QE-4	2,752	2,953	2,771	No
3136G0-QT-1	7,494	7,898	7,547	No
3136G1-GB-9	6,482	6,520	6,483	No
3136G1-HH-5	5,000	4,980	5,000	No
3136G1-JH-3	2,468	2,478	2,468	No
3136G1-JN-0	6,200	6,140	6,200	No
3136G1-KR-9	5,000	4,909	5,000	No
3136G1-N3-9	1,238	1,252	1,238	No
3136G1-N9-6	1,232	1,273	1,238	No
3136G1-NK-1	5,000	4,962	5,000	No
3136G1-P4-5	3,438	3,577	3,484	No
3136G2-4N-4	2,996	3,006	2,998	No
3136G2-BT-3	5,000	4,994	5,000	No
3136G2-C2-1	2,990	2,999	2,990	No
78010U-EC-7	3,000	3,036	3,000	No
857477-AF-0	4,266	4,332	4,148	No
<b>Totals</b>	<b>\$ 125,499</b>	<b>\$ 126,552</b>	<b>\$ 125,594</b>	

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

**Note 4. Fair Value of Financial Instruments**

The carrying value and estimated fair value of our financial instruments reported at December 31, 2014 and 2013 are as follows:

	December 31			
	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Bonds	\$ 1,516,503	\$ 1,546,058	\$ 1,554,966	\$ 1,553,714
Preferred stocks	3,910	3,966	3,766	3,766
Common stocks	24,319	24,319	23,042	23,042
Mortgage loans	4,199	4,559	4,423	4,725
Contract loans	5,916	5,916	6,261	6,261
Short-term investments	35,430	35,424	6,984	6,984
Cash	6,822	6,822	9,962	9,962
Other invested assets	13,482	13,482	12,653	12,653
<b>Liabilities</b>				
Annuity (accumulations)	848,072	865,802	911,791	941,636
Supplemental contracts (other than asset retention)	44,608	79,416	44,881	66,356
Structured settlements	883	1,572	791	1,170
Guaranteed investment contracts	53,701	95,604	49,206	72,750

The following methods and assumptions were used by us in estimating the fair value of our financial instruments:

*Assets*

To determine the fair value of the majority of our investments, we use a market-based approach, by utilizing prices obtained from independent, nationally recognized pricing services. We obtain one price for each security. When the pricing services cannot provide a determination of fair value for a specific bond or stock, we obtain non-binding price quotes from the broker-dealers with whom we have had several years of experience and who have demonstrated knowledge of the subject bond or stock.

We validate the prices obtained from independent pricing services and brokers prior to their use for reporting purposes by evaluation their reasonableness on a monthly basis. Our validation process includes a review for unusual fluctuations. Unusual fluctuations outside of our expectations are independently corroborated by obtaining valuations from secondary, third party services. In addition, we also randomly select securities and independently validate the valuations obtained from our third party valuation service providers. In our opinion, the pricing obtained at December 31, 2014 properly reflects the fair value of our investments.

The estimated fair value of mortgage loans is based upon discounted cash flows, utilizing the market rate of interest for similar loans in effect at the valuation date.



## United Life Insurance Company

### Notes to Financial Statements - Statutory-Basis

*(In thousands, except policy counts)*

The estimated fair value of contract loans is equivalent to their carrying value. No contract loans are made for amounts in excess of the cash surrender value of the related policy. In all instances, the contract loans are fully collateralized by the related liability for future policy benefits for traditional life policies and by the policyholders' account balance for nontraditional life policies.

Our other invested asset investments consist of holdings in a pooled separate account fund and a limited liability partnership fund. The estimated fair value of other invested assets is provided by the fund managers based on the net asset values of the underlying assets of the investments and are recorded on the equity method of accounting. We have not adjusted the net asset values provided by the fund managers.

In most cases, the fair value of short-term investments, cash, and investment income due and accrued approximate their carrying values due to the short-term nature of these financial instruments. In the case of short-term bonds, they are carried at book value.

#### *Liabilities*

The fair value of the liabilities for all annuity products is based upon the estimated value of the business, using current market rates and forecast assumptions and risk-adjusted discount rates, when relevant observable market data does not exist.

The fair value of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, such that our exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under the related insurance contracts. The primary purpose for matching invested assets with contract and policy liabilities is liquidity. With appropriate matching, investments will mature when cash is needed, thereby preventing the need to liquidate other assets prematurely. Mismatches in the duration of our assets and liabilities can cause significant fluctuations in our results of operations. The average duration of our bond portfolio was 5.2 years and 5.0 years at December 31, 2014 and 2013, respectively.

SSAP No. 100, *Fair Value Measurements*, establishes a fair value hierarchy in which to categorize financial instruments that are measured at fair value on a recurring and nonrecurring basis. The following financial instruments are carried at fair value in the accompanying statements of admitted assets, liabilities and capital and surplus as of December 31, 2014: common stocks, preferred stocks, and certain bonds that have been classified with an NAIC rating of 6.

The level at which financial instruments are categorized within the fair value hierarchy is based on the inputs to the valuation technique. Level 1 valuations are based on unadjusted quoted prices in active markets for identical financial instruments that we have the ability to access. Level 2 valuations are based on quoted prices for similar financial instruments, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument. Level 3 valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument. We review our fair value hierarchy

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed.

The following is a summary of the categorization of our financial instruments measured at fair value on a recurring basis at December 31, 2014 and 2013:

	Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2014</b>				
Common stocks:				
Industrial and miscellaneous	\$ 24,133	\$ 22,154	\$ 1	\$ 1,978
Mutual funds	186	186	-	-
Preferred stocks	700	-	700	-
Short-term investments:				
Money markets	17,034	17,034	-	-
<b>Total</b>	<b>\$ 42,053</b>	<b>\$ 39,374</b>	<b>\$ 701</b>	<b>\$ 1,978</b>
<b>At December 31, 2013</b>				
Bonds:				
Industrial and miscellaneous	\$ 684	\$ -	\$ 684	\$ -
Common stocks:				
Industrial and miscellaneous	22,846	20,818	16	2,012
Mutual funds	196	196	-	-
Preferred stocks	3,766	669	3,097	-
Short-term investments:				
Money markets	6,984	6,984	-	-
<b>Total</b>	<b>\$ 34,476</b>	<b>\$ 28,667</b>	<b>\$ 3,797</b>	<b>\$ 2,012</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The carrying value, fair value, and categorization of the Company's financial instruments in accordance with SSAP No. 100 are as follows:

	Admitted Value	Aggregate Fair Value	Level 1	Level 2	Level 3
<b>At December 31, 2014</b>					
<b>Assets</b>					
Bonds	\$ 1,516,503	\$ 1,546,058	\$ -	\$ 1,532,424	\$ 13,634
Preferred stocks	3,910	3,966	-	3,966	-
Common stocks	24,319	24,319	22,340	1	1,978
Mortgage loans	4,199	4,559	-	-	4,559
<b>Short-term</b>					
Bonds	18,396	18,390	-	18,390	-
Money markets	17,034	17,034	17,034	-	-
Cash	6,822	6,822	6,822	-	-
Contract loans	5,916	5,916	-	-	5,916
<b>Total Assets</b>	<b>\$ 1,597,099</b>	<b>\$ 1,627,064</b>	<b>\$ 46,196</b>	<b>\$ 1,554,781</b>	<b>\$ 26,087</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 848,072	\$ 865,802	\$ -	\$ -	\$ 865,802
Supplemental contracts (other than asset retention)	44,608	79,416	-	-	79,416
Structured settlements	883	1,572	-	-	1,572
Guaranteed interest contracts	53,701	95,604	-	-	95,604
<b>Total Liabilities</b>	<b>\$ 947,264</b>	<b>\$ 1,042,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,042,394</b>
<b>At December 31, 2013</b>					
<b>Assets</b>					
Bonds	\$ 1,554,966	\$ 1,553,714	\$ -	\$ 1,538,308	\$ 15,406
Preferred stocks	3,766	3,766	668	3,098	-
Common stocks	23,042	23,042	21,014	16	2,012
Mortgage loans	4,423	4,725	-	-	4,725
<b>Short-term</b>					
Money markets	6,984	6,984	6,984	-	-
Cash	9,962	9,962	9,962	-	-
Contract loans	6,261	6,261	-	-	6,261
<b>Total Assets</b>	<b>\$ 1,609,404</b>	<b>\$ 1,608,454</b>	<b>\$ 38,628</b>	<b>\$ 1,541,422</b>	<b>\$ 28,404</b>
<b>Liabilities</b>					
Annuity (accumulations)	\$ 911,791	\$ 941,636	\$ -	\$ -	\$ 941,636
Supplemental contracts (other than asset retention)	44,881	66,356	-	-	66,356
Structured settlements	791	1,170	-	-	1,170
Guaranteed interest contracts	49,206	72,750	-	-	72,750
<b>Total Liabilities</b>	<b>\$ 1,006,669</b>	<b>\$ 1,081,912</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,081,912</b>

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

The fair value of the majority of our investments in common stocks and preferred stocks has been determined using unadjusted quoted prices for identical financial instruments in active markets at the measurement date. Accordingly, these investments would be considered to be Level 1 securities in the fair value hierarchy.

The fair value of our investments in bonds that have been classified with an NAIC rating of 6 has been determined by management in reliance on market values obtained from independent pricing services. These investments would be considered to be a Level 2 in the fair value hierarchy. We use a market-based approach for valuing all of our Level 2 investments except for our mortgage-backed securities, collateralized mortgage obligations and asset-backed bonds, and submit them primarily to a third party valuation service provider. Any of these securities not valued by this service provider are submitted to a second third party valuation service provider. Both service providers use a market approach to find pricing for similar financial instruments. The market inputs our service providers normally seek to value our bonds include the following, listed in approximate order of priority: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The method and inputs for these investments classified as Level 2 are the same regardless of industry category, credit quality, duration, geographical concentration or economic characteristics. For our mortgage-backed bonds, collateralized mortgage obligations and asset-backed bonds, our service providers use additional market inputs to value these bonds, including the following: new issue data, periodic payment information, monthly payment information, collateral performance and real estate analysis from third parties. Our service providers prioritize inputs differently on any given day for any bond based on market conditions, and not all inputs listed are available for use in the evaluation process for each bond evaluation on any given day.

The following is a summary of the activity for Level 3 assets measured at fair value during 2014 and 2013:

	Beginning Balance	Transfers into Level 3	Realized Gain/ Loss	Unrealized Gain/ Loss	Purchases	Sales	Ending Balance
<b>December 31, 2014</b>							
Common stocks:							
Industrial and miscellaneous	\$ 2,012	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ 1,978
Total	\$ 2,012	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ 1,978
<b>December 31, 2013</b>							
Common stocks:							
Industrial and miscellaneous	\$ 1,985	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ 2,012
Total	\$ 1,985	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ 2,012

We purchased these Level 3 securities in the Federal Home Loan Bank ("FHLB") of Des Moines, as a requirement to obtain membership. These securities were classified as Level 3 because there was no