

BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA

FILED

MAY 31 2011

INSURANCE COMMISSIONER
OKLAHOMA

IN RE: Request for Disclaimer of Affiliation)
By BAYLESS INVESTMENTS, LLC.)
Relating to LEADERS LIFE INSURANCE)
COMPANY, a Domestic Oklahoma Insurer.)

Case No. 11-0595-TRN

**ORDER ALLOWING DISCLAIMER OF INTEREST UPON APPLICANT MEETING
CERTAIN CONDITIONS**

COMES NOW the State of Oklahoma, ex rel. John D. Doak, Insurance Commissioner, and makes the following findings of fact, conclusions of law and orders relating to the request of Bayless Investments, LLC. ("Bayless Investments") to disclaim an interest in Leaders Life Insurance Company ("the Domestic Insurer"):

JURISDICTION

1. John D. Doak is the Insurance Commissioner of the State of Oklahoma and, as such, is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq. Under 36 O.S. §§ 1651 and 1654 (i), the Insurance Commissioner has the authority to review and allow or disallow requests for disclaimers of interest as a "control person" as that term is defined and used in 36 O.S. § 1651. Under this Section of the Oklahoma Insurance Code, a person or entity is deemed to have "control" of an Oklahoma domestic insurer if it owns, directly or indirectly, 10% or more of such insurer.

2. The Domestic Insurer is authorized to transact life, accident and health insurance business in the State of Oklahoma pursuant to Certificate of Authority Number 4441 (NAIC CoCode 74799).

3. The Domestic Insurer is a wholly-owned subsidiary of LCI Corporation, and therefore belongs to an insurance company holding system.

FINDINGS OF FACT

1. Bayless Investments submitted a request for disclaimer of control of the Domestic Insurer on or about April 22, 2011. The facts stated in the Request were certified by Robert L. Bayless, Jr., Executive Manager. As of that date, Bayless Investments represented it owned 11% of the stock of the Domestic Insurer; therefore invoking the presumption Bayless Investments has a controlling interest in the Domestic Insurer.

2. Bayless Investments states in its request that it cannot mathematically control the Domestic Insurer due to approximately 89% ownership of the Company by other entities and individuals.

3. Bayless Investments states in its request that without a voting agreement or other arrangement, the 11% of the outstanding stock it owns cannot mathematically control the Domestic Insurer. The Applicant further states there are no such voting agreements in place; consequently, Bayless Investment asserts it does not and cannot control the Domestic Insurer and should be granted the disclaimer it requests.

4. The facts asserted by Bayless Investments that it cannot mathematically control the Domestic Insurer or that – having no voting agreement in place with others through which control could be achieved -- do not per se rebut the presumption of control, given the recognition in the statute of the potential power even a relatively small concentration of corporate ownership can wield. However, in the instant circumstances where the ownership interest of the Applicant is only 1% above the amount considered necessary for control status, such facts have greater weight especially when the request is coupled with the conditions the Insurance Commissioner

orders below to curb any control function Bayless Investments could exert, should it be so disposed.

CONCLUSIONS OF LAW

1. John D. Doak is the Insurance Commissioner of the State of Oklahoma and as such is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq. Under 36 O.S. §§ 1651 and 1654 (i), the Insurance Commissioner has the authority to review and allow or disallow requests for disclaimers of interest as a "control person" as that term is defined and used in 36 O.S. § 1651. Under this Section of the Oklahoma Insurance Code, a person or entity is deemed to have "control" of an Oklahoma domestic insurer if it owns, directly or indirectly, 10% or more of such insurer.

2. Title 36, Section 1651(c) of the Oklahoma statutes states:

(c) Control. The term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns controls, holds with the power to vote, or holds proxies representing ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing that control does not exist in fact in the manner provided in Section 4(i). The Commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support such determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.

3. The burden of proof is on the person or entity disclaiming control. O.A.C. 365:25-7-29(e) (1).

4. As of April 22, 2011, Bayless Investments states it owns, controls or holds a discretionary right to vote 11% of the outstanding voting stock of the Domestic Insurer. Bayless Investments suggests it does not intend to change or influence control of the Domestic Insurer, but instead own shares of the Company only in the ordinary course of business.

5. The Insurance Commissioner finds the Oklahoma statutory presumption of control is and will be rebutted in this circumstance if Bayless Investments now and in the future meets the following conditions:

- a. Does not to retain shares of the Domestic Insurer in excess of 11%;
- b. Does not vote, directly or indirectly, or by proxy, more than 11% of the shares of the Domestic Insurer with respect to any matter presented to the shareholders of the Domestic Insurer;
- c. Does not purchase the common or preferred stock of the Domestic Insurer other than solely for investment purposes, and not for the purposes of acquiring or seeking to acquire control over the Domestic Insurer;
- d. Does not use any direct or indirect means to cause the direction, or attempt to direct or cause the direction of the management policies of the Domestic Insurer;
- e. Does not propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or the Board of Directors of the Domestic Insurer; and
- f. Does not to seek or accept representation on the Board of Directors of the Domestic Insurer.

ORDER

IT IS THEREFORE ORDERED that the instant request for disclaimer of affiliation by Bayless Investments with the Domestic Insurer is allowed pursuant to Bayless Investments meeting and continuing to observe the following conditions:

- a. Does not retain shares of the Domestic Insurer in excess of 11%;
- b. Does not vote, directly or indirectly, or by proxy, more than 11% of the shares of the Domestic Insurer with respect to any matter presented to the shareholders of the Domestic Insurer;
- c. Does not purchase the common or preferred stock of the Domestic Insurer other than solely for investment purposes, and not to make purchases for the purposes of acquiring or seeking to acquire control over the Domestic Insurer;
- d. Does not use any direct or indirect means to cause the direction, or attempt to direct or cause the direction of the management policies of the Domestic Insurer;

- e. Does not propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or the Board of Directors of the Domestic Insurer; and
- f. Does not seek or accept representation on the Board of Directors of the Domestic Insurer.

WITNESS My Hand and Official Seal this 31st day of May, 2011.



PAUL WILKENING
Deputy Commissioner of Administration
Oklahoma Insurance Department

CERTIFICATE OF MAILING

I, Kelley C. Callahan, hereby certify that a true and correct copy of the above and foregoing Order Allowing Disclaimer of Interest upon Applicant Meeting Certain Conditions was mailed postage prepaid with return receipt requested on this 31st day of May, 2011, to:

Cynthia A. Taylor
Secretary
Leaders Life Insurance Company.
1350 S. Boulder Avenue, Suite 900
Tulsa, Oklahoma 74119

and that a copy was delivered to the Oklahoma Insurance Department Financial and Examination Division: Mathangi Shankar, Chief Examiner & Division Director.


KELLEY C. CALLAHAN
Senior Attorney

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 Leaders Life Insurance Company.
 Street, Apt. or PO Box: 1350 S. Boulder Avenue, Suite 900
 City, State: Tulsa, Oklahoma 74119

sms/11-0595-TRN/Order Allowing

PS Form 3811, February 2004 See Reverse for Instructions

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<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee <i>Elizabeth Green</i></p> <p>B. Received by (Printed Name) <input type="checkbox"/> Agent <input type="checkbox"/> Addressee <i>Elizabeth Green</i></p> <p>C. Date of Delivery <i>6-1-11</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p><i>OKLAHOMA INSURANCE DEPARTMENT</i></p> <p>Cynthia A. Taylor, Secretary Leaders Life Insurance Company. 1350 S. Boulder Avenue, Suite 900 Tulsa, Oklahoma 74119 sms/11-0595-TRN/Order Allowing</p>	<p>RECEIVED JUN 06 2011</p> <p>Legal Division</p> <p>Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
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