

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL A
DOMESTIC INSURER

Southern Michigan Insurance Company

Domestic Insurer

By

USA Underwriters, LLC

Applicant

Filed with the Michigan Office
of Financial and Insurance Regulation

Dated: March 23, 2012

Name, Title, Address and Telephone Number of Individual to Whom Notices and
Correspondence Concerning this Statement should be Addressed:

Albert R. Harris
President/Manager
USA Underwriters, LLC
21745 West 8 Mile
Detroit, MI 48219
Telephone:
Facsimile: 313-538-2117
rharris@usaunderwriters.com

With a Copy to:
Joseph A. Fink
Dickinson Wright PLLC
215 S. Washington Square
Lansing, MI 48933-1816
Telephone: 517-487-4711
Facsimile: 517-487-4700
Email: jfink@dickinsonwright.com

With a Copy to:
Ryan M. Shannon
Dickinson Wright PLLC
215 S. Washington Square
Lansing, MI 48933-1816
Telephone: 517-487-4719
Facsimile: 517-487-4700
Email: rshannon@dickinsonwright.com

INSURANCE EVALUATION
DIVISION

MAR 28 2012

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USA Underwriters, LLC, a Michigan LLC (the "Applicant") hereby files this application regarding the acquisition of control of a domestic insurer (the "Application") for approval from the Michigan Office of Financial and Insurance Regulation ("OFIR") to acquire control of Southern Michigan Insurance Company ("Southern Michigan").

ITEM 1. METHOD OF ACQUISITION

This Application relates to Southern Michigan, a Michigan-domiciled property and casualty insurance company, with a principal and statutory office address at 315 S. Grand, Marshall, MI 49068.

The contemplated transaction involves the acquisition of control of Southern Michigan by Applicant. Applicant will purchase of 100% of the issued and outstanding capital stock of Southern Michigan for cash to be paid on closing by the Applicant to the Seller (the "Acquisition"). The terms and conditions of the Acquisition of SMIC are set forth in a Stock Purchase Agreement dated as of February 9, 2012, by and between the Applicant and the Seller which is attached hereto as Exhibit A (the "Agreement").

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

A. Name and address of the Applicant

USA Underwriters, LLC
21745 West 8 Mile
Detroit, MI 48219

B. The Business Operations of the Applicant

The Applicant is a newly formed Michigan domiciled limited liability company for the purpose acquiring Southern Michigan as part of the Acquisition. The Applicant intends to write personal auto insurance in the State of Michigan, and to do so initially by offering a physical damage-only product (comprehensive and collision). Once the Applicant has had a fuller opportunity to evaluate Michigan market conditions, and to assess any statutory changes that may be implemented affecting personal auto insurance in Michigan, the Applicant plans to develop additional non-standard automobile insurance products for introduction when, and if, it is from an underwriting and financial point of view to appropriate to do so.

Applicant's management has significant experience in the non-standard auto insurance market segments and intends to operate a Michigan domiciled auto insurance company to take advantage of the opportunities afforded by these market segments.

C. List Indicating Certain Information Regarding the Applicant and its Affiliates

Attached hereto as Exhibit C-1 is a chart detailing the identities and interrelationships among the Applicant and all affiliates of the applicant, including the ultimate controlling persons. Prior to the transaction, the applicant will have no affiliates, as is reflected in the chart. Moreover, the attached chart also lists, as to each person specified in the chart, the type of organization (individual, corporation or limited liability company) and its state or jurisdiction of domicile.

Attached hereto as Exhibit C-2 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that will be owned or controlled by the Applicant after consummation of the Acquisition.

There are no court proceedings involving a reorganization or liquidation pending with respect to any person listed on these charts.

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

The following are all directors, officers, executive officers and owners of 10% or more of the voting securities of the Applicant and the proposed directors and executive officers of Southern Michigan:

Albert R. Harris, 56, proposed President & CEO of Southern Michigan. From March 2010 to the March 1, 2012, Mr. Harris was a Senior Vice President and Western Regional Manager of MAPFRE Insurance, the 17th largest diversified insurer in the world, with over \$36 billion in written and accepted premiums. MAPFRE is located in 43 countries worldwide and has over 37,000 employees. Mr. Harris was responsible for the entire West Coast operation including Product, Marketing, Underwriting, Customer Service, IT, and Claims. Mr. Harris oversaw two locations with over 200 employees and direct written premium of over \$150 million. In addition to his responsibilities Mr. Harris also served on several key MAPFRE USA committees including Products and Pricing, and the Executive Committee.

From 1999 to 2010, Mr. Harris held various different positions with Commerce West Insurance Company including Vice President of Marketing and Product Development. In addition to launching multiple auto products that were successful in the market Mr. Harris also expanded distribution points from slightly over 200 to nearly 2,000, thus enabling Commerce West to more than triple direct written premium in his first five years.

Mr. Harris began his insurance career in 1982 with Financial Indemnity Company. Mr. Harris worked in a number of key areas in the company including Underwriting, Marketing, and Product Management. In his role as Senior Product Manager at Financial Indemnity Mr. Harris successfully oversaw development and product launches in multiple states that guided Financial Indemnity from a small regional carrier that operated in three states to one on a National scale with writings in over twenty states, and an aggregate combined ratio of less than 100 at the time of his departure.

Mr. Harris received his B.A. in Business Administration from California State University Fresno.

Mr. Harris has no civil judgments against him for \$25,000 or more in civil fines or penalties or injunctive or other equitable relief has not been convicted of any crimes other than minor traffic violations during the past 10 years.

Erin Simpson, 44, proposed Executive Vice President and Chief Financial Officer of Southern Michigan. From April 2009 to the present Ms. Simpson has been the Executive Vice President and Chief Financial Officer of Stonewood Insurance Services, Inc. ("Stonewood") a managing general agency located in California. Stonewood was formed in 2006 and specializes in California non-standard auto insurance. From April 2008 to April 2009, Ms. Simpson was the Controller for Harris & Bruno, a global manufacturer of high performance ancillary printing components. From 2004 to 2008 Ms. Simpson was CFO for Pachanga Inc., for which she developed the business concept, successfully acquired start-up funding and managed all financial operations. Prior to that, Ms. Simpson was the Vice President of Finance for Benefit & Risk Management Systems, a leading healthcare benefit and workers compensation insurance third party administrator.

Ms. Simpson received her B.B.A. and M.B.A. in Finance from the University of San Francisco.

Ms. Simpson has no civil judgments against her for \$25,000 or more in civil fines or penalties or injunctive or other equitable relief has not been convicted of any crimes other than minor traffic violations during the past 10 years.

Anthony Yousif, 45, member and founder of Applicant; Proposed Chairman of Southern Michigan. Mr. Yousif has been Manager and Member of Applicant since formation in January 2012. From 1992 to the present, Mr. Yousif has been the President, founder and owner of LA Insurance, LLC, and LA Insurance Franchising LLC, a Michigan limited liability company (collectively "LA Insurance"). LA Insurance has become one of the largest non-standard auto insurance producers in the US with over with over 160 locations nationwide and over 100 in Michigan.

Mr. Yousif has no civil judgments against him for \$25,000 or more in civil fines or penalties or injunctive or other equitable relief has not been convicted of any crimes other than minor traffic violations during the past 10 years.

Hani Kassab, 35, member and founder of Applicant. Mr. Kassab has been a member and founder since the Applicant's inception. Mr. Kassab began his insurance career with LA Insurance in 1995 and has held various and owns indirectly over 30 LA insurance locations in Michigan. Mr. Kassab has been a Michigan licensed real estate agent since 2001 and a real estate investor. Mr. Kassab is also a licensed property and casualty insurance agent.

Mr. Kassab has no civil judgments against him for \$25,000 or more in civil fines or penalties or injunctive or other equitable relief has not been convicted of any crimes other than minor traffic violations during the past 10 years.

Fingerprint cards for the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant, and the proposed directors and executive officers of Southern Michigan are attached, or are otherwise available upon request.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

A. Nature and Source of Consideration

The Applicant will acquire one hundred percent (100%) of the issued and outstanding capital stock of Southern Michigan. Pursuant to Section 6.3 of the Agreement, the Applicant will pay to Seller an aggregate purchase price equal to \$5 million cash. The Applicant will fund the acquisition with available cash on hand and through the liquidation of certain investment assets.

B. Determination of Nature and Amount of Consideration

The nature and amount of the consideration were a result of arms-length negotiations between Applicant and the Seller. In arriving at the value to be paid for the shares of capital stock of Southern Michigan, the Applicant reviewed and evaluated information from various sources, including financial statements of Southern Michigan and other information with respect to past and current operations of Southern Michigan, the financial condition and future prospects of Southern Michigan and such other due diligence as the Applicant considered relevant.

ITEM 5. FUTURE PLANS OF INSURER

Applicant intends to operate Southern Michigan as a property and casualty insurance company specializing in non-standard auto insurance space. “Non-standard” automobile insurance provides coverage to drivers who find it difficult to purchase automobile insurance from standard carriers as a result of a number of factors, including their vehicle type, age, claims history, limited financial resources or driving record. Typically, these drivers purchase minimal levels of insurance coverage in order to comply with state-mandated financial responsibility laws.

Applicant’s Proposed Products

Applicant’s management team is experienced in the non-standard auto insurance space. It believes that the Michigan market will gain from low priced products that are specifically designed for consumers that need minimum limit coverages. Initially, Applicant intends to be conservative and offer products that have no or limited liability exposure. This will assist in limiting the shock losses that can be harmful to a small carrier. After Applicant develops traction and builds up surplus, Applicant will then offer a full range of coverages.

The Applicant is currently examining the Michigan non-standard auto insurance market. Based on its preliminary review of the market, it intends to file three programs over the next five years:

1. *USA Economy PD Program*

Management believes that there exists a significant opportunity in Michigan for a physical damage only (comprehensive and collision coverage) product. The management team has developed a very successful and similar types of product in other states and will apply these concepts to a new product called the USA Economy program. This product is intended to be the initial product offered by the Company.

2. *USA Starter Program*

The USA Starter Program will be a “me too” of the GMAC Jump Start Program. This program will be filed, but not implemented until (i) Southern Michigan, under the management of the Applicant, and after being renamed the Starter Program, has entered into a reinsurance treaty with an appropriate reinsurer or it has obtained additional surplus and (ii) gives the OFIR 30 calendar days’ prior written notice.

3. *USA Economy Program*

The USA Economy Program will be a “me too” of Titan Insurance Company’s Michigan Auto Program. This program will be filed, but not implemented until (i) Southern Michigan, under the management of the Applicant, and after being renamed, has entered into a reinsurance treaty with an appropriate reinsurer or it has obtained additional surplus and (ii) gives the OFIR 30 days’ written notice.

Distribution

Applicant intends to distribute the programs through independent agencies throughout Michigan, including LA Insurance locations. Applicant plans to form a Managing General Agency to process the business. The same management team will run the MGA as the proposed management of Southern Michigan.

Pro-Forma Financial Statements

The Pro-Forma financials including a chart showing the projected direct, assumed, ceded and net written premiums by line on a pro-forma statutory balance sheets and income statements of Southern Michigan following the Acquisition are attached as **Exhibit B**.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Applicant will directly acquire 1,000,000 shares of Common Stock, \$1 par value, representing 100% of the outstanding securities of Southern Michigan.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than as set forth in the Application (including all Exhibits hereto), neither the Applicant, its affiliates, nor any person listed in Item 3 of this Application beneficially owns or has a right to acquire beneficial ownership of the voting securities of Southern Michigan.

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

Except as set forth in the Agreement and the exhibits thereto, neither the Applicant, its affiliates, nor any person listed in Item 3 is a party to any contract, arrangement or understanding with respect to any voting securities of Southern Michigan, including, but not limited to transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9: RECENT PURCHASE OF VOTING SECURITIES

During the twelve (12) calendar months preceding the filing of his Application, neither the Applicant, its affiliates, nor any person listed in Item 3 has purchased any voting securities of Southern Michigan.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

During the twelve (12) calendar months preceding the filing of this Application, there have been no recommendations to purchase any voting securities of Southern Michigan by the Applicant, its

affiliates or any person listed on Item 3 of this Application or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates or any person listed in Item 3.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Applicant has made no agreements, contracts or understandings with any broker-dealers as to the solicitation of voting securities of Southern Michigan for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

The following exhibits are attached:

- | | |
|-------------------|---|
| Exhibit A: | Stock Purchase Agreement |
| Exhibit B: | March 20, 2012 Proforma for USA Underwriters, LLC |
| Exhibit C: | Affiliate Relationship Charts Pre- and Post-Acquisition |

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

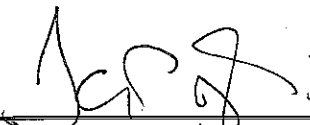
Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, USA Underwriters, LLC has caused this application to be duly signed on its behalf in the City of Detroit and State of Michigan on the 22nd day of March, 2012.

USA Underwriters, LLC
Name of Applicant

BY Anthony Yousif, Member

Attest:

Subscribed and sworn to before me,
a Notary Public in and for Oakland County,
this 22nd day of March, 2012



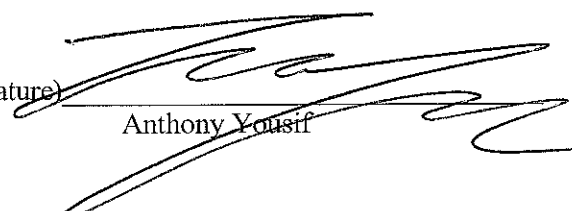
Notary Public, Oakland County, Michigan
My Commission Expires: 4-23-2017
Acting in _____ County

TAMARA ANN PIZIALI
Notary Public, State of Michigan
County of Oakland
My Commission Expires 04-23-2017
Acting in the County of _____

CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application dated March 23, 2012, for and on behalf of USA Underwriters; that she or he is a member of such company and that she or he is authorized to execute and file such instrument. Deponent further says that she or he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his or her knowledge, information and belief.

(Signature)


Anthony Yousif