

FORM A

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

LIFESecure INSURANCE COMPANY
Name of Domestic Insurer

By

BCS FINANCIAL CORPORATION
Name of Acquiring Person (Applicant)

Filed with the Insurance Department of

MICHIGAN
(State of domicile of insurer being acquired)

Dated: July 14, 2017

Name, Title, address and telephone number of Individual to Whom Notices
and Correspondence Concerning this Statement should be Addressed:

*Terry M. Hackett
General Counsel and Secretary
BCS Financial Corporation
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181*

ITEM I. METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a
brief description of how control is to be acquired.

*LifeSecure Insurance Company
10559 Citation Drive, Suite 300
Brighton, Michigan 10559*

BCS Financial Corporation ("BCSF") desires to purchase 20% of the stock of LifeSecure Holdings Corporation ("LSHC"), which is the 100% owner of LifeSecure Insurance Company ("LSIC"), a life and health insurer domiciled in the state of Michigan, pursuant to the terms of that certain Stock Purchase Agreement dated June 16, 2017, a copy of which is attached hereto as Exhibit 1 (the "Purchase Agreement"). This statement is submitted for the purpose of obtaining the approval of the Michigan Director of Insurance for the proposed Purchase Agreement pursuant to Section 1311 of the Michigan Insurance Code (the "Code") and the applicable provisions of the Michigan Insurance Regulations.

RECEIVED
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INSURANCE EVALUATION DIVISION

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) State the name and address of the applicant seeking to acquire control over the insurer.

*BCS Financial Corporation
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181*

- (b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Describe the business intended to be done by the applicant and the applicant's subsidiaries.

BCSF is a holding company formed under the laws of the state of Delaware in 1998. It has existed in its current form since 2006 when BCSF merged into BCSI Holdings, Inc. and the surviving entity changed its name to BCS Financial Corporation. BCSF is owned by 36 primary licensees of the Blue Cross and Blue Shield trademarks (Blue Plans). BCSF, through two domestic operating insurance subsidiaries, BCS Insurance Company, an Ohio domiciled insurance company ("BCSI") and 4 Ever Life Insurance Company, an Illinois domiciled insurance company ("4EL"), and other affiliated companies, delivers a broad range of financial and insurance solutions by engaging in strategic partnerships with Blue Cross and Blue Shield organizations and commercial market leaders. BCSF, BCSI, 4EL and all of their affiliated companies are collectively referred to herein as "BCS". BCSI and 4EL have insurance licenses in all 50 States of the United States. The companies are rated A-, Excellent by A.M. Best Company. The corporate structure for all of the BCS entities is attached as Exhibit 2. The Board of Directors of BCS is comprised of chief executive officers and other senior officers of Blue Plans as well as two independent directors with extensive insurance and reinsurance experience.

The mission of BCSF is to enhance the success of Blue Plans by creating competitive advantage. BCSF accomplishes this in several ways, including being a direct insurer of Blue Plans to protect them against the risks for errors and omissions and directors and officers liability claims, privacy and data breach (cyber) claims and large medical claim reinsurance. BCSF also issues other insurance policies, such as policies that provide professional liability coverage to Blue Plan agents and employer medical stop loss. BCSF also provides several other insurance products such as student accident insurance, travel insurance, fixed indemnity medical and critical illness. BCSF desires to expand its involvement in these ancillary products through its relationship with LSHC and LSIC.

- (c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If

court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

See the current organizational chart of all entities within the BCSF holding company structure attached as Exhibit 2. A proposed chart after all approvals are received for this transaction is included as Exhibit 3. Also see the chart attached as Exhibit 4 stating the ownership of BCSF as well as the chart attached as Exhibit 2 describing each affiliate entity's organization type, primary business and state or jurisdiction of domicile. There are no court proceedings involving a reorganization or liquidation of any of the entities.

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

On the biographical affidavit, include a third party background check and state the following with respect to 1) the applicant if she or he is an individual, 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and if the applicant is not an individual.

- (a) Name and business address;
- (b) 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:
- (c) Material occupations, positions, offices or employment during the last 5 years, giving 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; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.
- (d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.
- (e) Upon the request of the Commissioner, individuals shall provide fingerprint cards pursuant to Section 249a for state, multi-state, and federal criminal history record checks.

See Exhibit 5 for applicant director and officer chart and corresponding NAIC Biographical Affidavits. This Form A filing will be supplemented with fingerprint cards at a later date within the filing period.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

The purchase price for the transaction is \$15,200,000. BCSF will pay this with cash on hand.

- (b) Explain the criteria used in determining the nature and amount of such consideration.

Several valuation methodologies were considered in determining an appropriate purchase price, including a returns analysis, reviewing precedent transactions, market comps, as well as the entity's current book value and asset strength. Weightings were made on the different valuation methodologies. Due diligence was performed on operations, finances, and product/market strength. Other deal considerations were also taken into account, such as future purchase options.

- (c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not applicable as the source of consideration is not a loan.

ITEM 5. FUTURE PLANS FOR INSURER

Describe any plans or proposals which the applicant may have for the insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

There are no immediate plans for LSIC to declare a dividend, to be liquidated, to sell its assets, to merge with any other entity. The future plan for LSIC is stated in the document titled "LifeSecure Business Strategy" attached hereto as Exhibit 6. The current policies of LSIC as related to compliance of Chapters 39 and 40 of the Code will continue in place post-transaction.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal

was arrived at.

BCSF will acquire 250 voting shares representing 20% of the issued and outstanding shares of LSHC. The value methodology is described in the response to Item 4(b). BCSF also has the option to purchase up to an additional 178 shares of the issued and outstanding stock of LSHC under the terms contained in Article III of the Stock Purchase Agreement attached as Exhibit 1.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

BCSF will acquire 250 voting shares representing 20% of the issued and outstanding shares of LSHC. The value methodology is described in the response to Item 4(b). BCSF also has the option to purchase up to an additional 178 shares of the issued and outstanding stock of LSHC under the terms contained in Article III of the Stock Purchase Agreement attached as Exhibit 1. LSHC owns 100% of the stock of LSIC.

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

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.

LSHC, Blue Cross Blue Shield of Michigan Mutual Insurance Company and BCSF desire to enter into the Shareholders Agreement attached as Exhibit C under the Stock Purchase Agreement in Exhibit 1 to this Form A. That agreement provides for transfer restrictions as stated in Article II, including rights of first refusal. Article III of the Shareholders agreement also specifies the rights and obligations related to Non-permitted Shareholders (Section 3.1), Rights of First Refusal on Sale of the Company and Drag Along Obligations and Co-Sale Rights (Section 3.2) additional Capital Contributions (Section 3.3); Capital Calls (Section 3.4); Rights relating to a public offering (Section 3.5); Preemptive Rights (Section 3.6). BCSF also will have certain approval rights as contained in Section 4.2, including the right to approve any merger, consolidation, liquidation or change in the principal business of LSHC, Liquidations of LSHC. These rights are more fully set forth in Section 4.2(a)(i)-viii) of the proposed Shareholders Agreement. BCSF also has the option to purchase up to an additional 178 shares of the issued and outstanding stock of LSHC under the terms contained in Article III of the Stock Purchase Agreement attached as Exhibit 1. Except as contemplated in the Purchase Agreement, there is no right for BCS to acquire any additional ownership share of LSIC post-transaction.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.

Not applicable.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

Not applicable.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

Not applicable.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached. Also provide a three-year narrative business plan which describes the types of business to be written by the insurer, and marketing plan. The financial projections shall include projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing, and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

Financial statements of the insurer are provided under Exhibit 7. The insurer anticipates no changes to its reinsurance program and the only additional capital contribution will come from the stock purchase price. Changes to the LSHC and LSIC board are those contemplated by this transaction and are fully explained in section 4.1 of the Shareholders Agreement attached as Exhibit C under the Stock Purchase Agreement in Exhibit 1 to this Form A. LSIC does not have a formal, written compliance plan associated with MCL 500.5256. However, all records are maintained and/or accessible at the LSIC home office in accordance with applicable law in all material respects, and there are no changes planned in connection with the transaction.

The applicant intends, post-transaction, to continue LSIC's current program of providing worksite ancillary insurance product offerings; there is no intent for the

post-transaction entity to write lines of insurance or otherwise expand its business beyond the scope of LSIC's current operations and any proposed changes to LSIC's plan or operation of product offerings that require regulatory filings or approval by DIFS will be implemented only after such filings are made or such approvals are received. LSIC's three-year narrative business plan is included under Exhibit 6, and LSIC's pro forma balance sheet, profit and loss statement and cash flow statement for the next three years is attached as Exhibit 8.

The applicant does not propose to make any changes to LSIC's current reinsurance arrangement, nor to make any capital contributions beyond the purchase price of \$15,200,000.

- (b) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement, if the information is available. The statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets.

Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in the Personal Financial Statements Guide by the American Institute of Certified Public accountants. Personal financial statement shall be accompanied by the independent public accountant's Standard Review Report stating that the accountant is not aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

Financial statements of the applicant are provided under Exhibit 9.

- (c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting

securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders of the insurer and the applicant for the best two fiscal years, and any additional documents or papers required by Form A forms and instructions for Sections 4 and 6.

LSIC and BCS Insurance Agency, an Illinois domiciled insurance company and an affiliate of BCSF, have entered into a Marketing Services Contract, effective 6/8/2017, the continuation of which is contingent on the approval of this transaction. LSIC and BCS Insurance Agency have also entered into a Selling Agent Agreement with a Distribution Partner Addendum, also effective 6/8/2017, the continuation of which is contingent on the approval on this transaction. The Marketing Services Contract and Selling Agent Agreement with Distribution Partner Addendum are attached as Exhibits 10 and 11, respectively.

ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days alter the end of the month in which the acquisition of control occurs.

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ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, **Terry M. Hackett** has caused this application to be duly signed on its behalf in the City of **Oakbrook Terrace** and **State of Illinois** on the **14th day of July, 2017**.

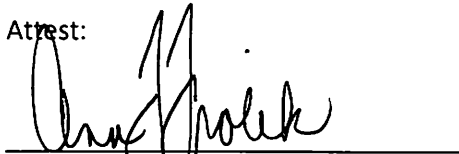
(SEAL)

BCS FINANCIAL CORPORATION
Name of Applicant



Terry M. Hackett
General Counsel and Secretary

Attest:



(Signature of Officer)

ASSISTANT SECRETARY

(Title)

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated **July 14th, 2017**, for and on behalf of **BCS FINANCIAL CORPORATION**; that he is the General Counsel and Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.



Terry M. Hackett
General Counsel and Secretary