

FORM A

STATEMENT REGARDING THE

ACQUISITION OF CONTROL OF OR MERGER WITH

A DOMESTIC INSURER

Acquisition of 20.45% Interest in

AAA LIFE INSURANCE COMPANY

By

AAA NORTHEAST HOLDING, INC.

Filed with the Michigan Department of Insurance and Financial Services
Dated: December 20, 2021

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

Lori McAllister, Esq.
Dykema Gossett, PLLC
201 Townsend St
Lansing, MI 48933
LMcAllister@dykema.com
517-374-9150 Direct

ITEM 1. METHOD OF ACQUISITION

(a) The Domestic Insurer.

The name and address of the insurer domiciled in the State of Michigan to which this Statement relates is:

AAA Life Insurance Company
17900 N. Laurel Park Drive,
Livonia, Michigan 48152.

(b) Brief Description of Acquisition.

The American Automobile Association, Inc. (“Seller”), a Connecticut not-for-profit corporation, currently owns 20.45% of the issued and outstanding shares of stock (the “Seller’s Shares”) of ACLI Acquisition Company (the “Target”), a Delaware corporation. The Target is the direct parent company of AAA Life Insurance Company (“AAA Life”), an insurance company incorporated under and duly licensed by the laws of the State of Michigan, with an address at 17900 N. Laurel Park Drive, Livonia, Michigan 48152.

Upon the terms and subject to the conditions set forth in a Stock Purchase Agreement to be dated on or around December 31, 2021 (the “Agreement”) by and between Seller and AAA Northeast Holding, Inc. (“Buyer”), a Rhode Island corporation with an address at 110 Royal Little Drive, Providence, Rhode Island 02904, Buyer will acquire from Seller 100% of Seller’s Shares in Target (the “Acquisition”). The purchase price for Seller’s Shares will be an amount equal to 100% of the book value of the Seller’s Shares as of December 31, 2021, as reflected in AAA Life’s 2021 financial statements prepared in accordance with GAAP, currently estimated to be \$93,700,000 but subject to adjustment in accordance with the Agreement.

Buyer will pay the purchase price for Seller’s Shares using funds from an unsecured \$100,000,000 line of credit obtained for such purpose pursuant to a Credit Agreement dated November 16, 2021 among AAA Northeast, the Guarantors (as defined therein) and Bank of America, N.A., as lender.

The Board of Directors of each of Seller, AAA Northeast, Buyer and AAA Life have approved or are expected to approve of the Agreement and the transactions contemplated thereby, including the Acquisition.

Prior to or concurrently with the Acquisition, Buyer will also be acquiring from AAA Life 100% of the shares of Life Alliance Reassurance Corporation (“LARC”), a captive insurer domiciled in Hawaii, which will reinsure the risk of the business pursuant to a reinsurance agreement.

Following the Acquisition, Buyer will own all of the Target’s Class D Common Stock currently owned by Seller.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and Address.

The name and principal executive office address of Buyer is:

AAA Northeast Holding, Inc.
110 Royal Little Drive
Providence RI 02904

The name and principal executive office address of AAA Northeast is:

AAA Northeast
110 Royal Little Drive
Providence RI 02904

(b) Nature of Business Operations.

Buyer is a corporation organized under the laws of Rhode Island and a wholly owned subsidiary of AAA Northeast (“AAA NE”), a Delaware non-stock company that is a member of Seller’s federation of AAA clubs, which covers territory in Rhode Island, Massachusetts, and parts of Connecticut, New Hampshire, New York and New Jersey. Buyer also owns a 50% interest in Motor Club Insurance Company, a Rhode Island domiciled insurer offering property and casualty insurance to members of its parent, AAA NE.

(c) Organizational Chart.

An organizational chart (the “Organizational Chart”) depicting Buyer and its affiliates (including AAA NE) is attached as Exhibit B.

Pro forma organizational charts depicting Buyer, its affiliates (including AAA NE), and AAA Life before and after giving effect to the Acquisition is attached hereto as Exhibit C.

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

(a) Directors and Executive Officers.

Buyer is a wholly owned subsidiary of AAA NE, a nonstock corporation, and as such there are no owners of any voting securities of Buyer. The names and titles of Buyer’s executive officers and directors are as set forth in Exhibit D.

(b) Individual Biographical Affidavits.

Individual Biographical Affidavits on the form promulgated by the National Association of Insurance Commissioners for each of the persons named in Item 3(a) are attached as Exhibit E. Buyer hereby respectfully requests confidential treatment for such portions of the Biographical Affidavits subject to confidentiality protections in order to protect the privacy of the persons submitting affidavits.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Consideration.

Buyer will pay the purchase price for all of Seller's 418,523 Shares using funds from an unsecured \$100,000,000 line of credit obtained for such purpose pursuant to a Credit Agreement dated November 16, 2021 among AAA NE, the Guarantors (as defined therein) and Bank of America, N.A., as lender.

(b) Criteria Used in Determining Consideration.

The nature and amount of the purchase price for the Shares were determined by arms-length negotiations among Buyer and Seller.

(c) As set forth above, Buyer will pay the purchase price for Seller's Shares using funds from an unsecured \$100,000,000 line of credit obtained for such purpose.

ITEM 5. FUTURE PLANS FOR INSURER

Neither Buyer nor AAA NE has any plans to declare any dividend (whether or not extraordinary), liquidate AAA Life, sell all of its assets, or merge it with any person or persons. Neither Buyer nor AAA NE has any plans to materially change the business operations, corporate structure or management of AAA Life except as summarized herein.

(a) Corporate Structure and Management of AAA Life.

Pursuant to the Agreement, both of the two Class D directors appointed by Seller to the Board of Directors of AAA Life are expected to resign effective at the closing of the Acquisition (the "Closing"). Effective immediately following the Closing, Buyer will appoint two Class D directors to the Board of Directors of AAA Life. The names and titles of the expected directors are Joy K. Cave, CPA and Cathleen M. Paugh, MBA. Individual Biographical Affidavits on the form promulgated by the National Association of Insurance Commissioners for each of those persons are attached as Exhibit F. Buyer hereby respectfully requests confidential treatment for the portions

of such Biographical Affidavits subject to confidentiality protections in order to protect the privacy of the persons submitting affidavits.

(b) Business Operations of AAA Life.

Following the Acquisition, neither Buyer nor AAA NE will be able to exercise control over the Target or AAA Life based on Buyer's ownership percentage or board membership. Further, the Acquisition is not expected to result in any material change in the Target's or AAA Life's business operations, corporate structure or management, except as expressly described herein.

Immediately prior to or concurrently with the Acquisition, Buyer will also be acquiring from AAA Life 100% of the shares of LARC, which will reinsure the risk of the business pursuant to a reinsurance agreement between AAA Life and LARC.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

As described more fully above, Buyer will acquire all 418,523 of the Seller's Class D shares of the Target at the Closing. No other voting securities of the Target or AAA Life will be acquired by Buyer or AAA NE. As described in Item 4, the nature and amount of the purchase price for the shares were determined by arm's length negotiations among Buyer and Seller based on the book value as of December 31, 2021, and thus Buyer and Seller consider the proposal to be fair.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

As described more fully above, Buyer will acquire all 418,523 of the Seller's Class D shares of the Target, the direct parent of AAA Life, in connection with the Acquisition. This ownership will constitute a 20.45% beneficial interest in AAA Life. The purchased shares will be owned by Buyer.

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

As of the date of this Statement, none of Buyer, its affiliates (including AAA NE) or any person listed in Item 3 is involved in any contract, arrangement or understanding with respect to any voting security of AAA Life, including but not limited to transfer of any 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, except that Buyer intends to enter into the Agreement to purchase shares of Class D common stock of the Target at the Closing as well as a shareholders agreement in connection therewith.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no purchases of any voting securities of AAA Life by Buyer, its affiliates (including AAA NE) or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

None of Buyer, its affiliates (including AAA NE) or any person listed in Item 3 has made any written or oral recommendations to purchase any voting security of AAA Life during the 12 calendar months preceding the date of this Statement. No one, based upon interviews with or at the suggestion of Buyer, its affiliates (including AAA NE) or any person listed in Item 3 has made any written or oral recommendations to purchase any voting security of AAA Life during the 12 calendar months preceding the date of this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

No agreement, contract or understanding has been made by Buyer, its affiliates (including AAA NE) or any person listed in Item 3 with any broker-dealer as to solicitation of voting securities of AAA Life for tender, and no amount of fees, commissions, or other compensation has been paid by Buyer, its affiliates (including AAA NE) or any person listed in Item 3 to broker-dealers with regard to solicitation of voting securities of AAA Life for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Pro Forma Financial Projections.

Pro forma financial projections for AAA Life for the years ending December 31, 2021 through 2025 are attached as Exhibit G.

(b) Financial Statements of Buyer for the Preceding Five Fiscal Years.

The audited Consolidated Financial Statements of AAA NE for the years ended December 31, 2016 through 2020, which includes the accounts of Buyer and the other affiliates of Buyer, are attached as Exhibit H.

(c) Exhibits.

A complete index of the Exhibits to this Statement follows:

<u>Exhibit</u>	<u>Name of Exhibit</u>
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Exhibit A	Stock Purchase Agreement
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Exhibit B	Buyer's Pre-Acquisition Organizational Chart
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- Exhibit C Insurer's Pro Forma Organizational Chart (Pre- and Post-Acquisition)
- Exhibit D Buyer's Officer & Directors
- Exhibit E Biographical Affidavits of Buyer's Officers and Directors
- Exhibit F Biographical Affidavits of Insurer's Expected Directors after Closing
- Exhibit G Pro Forma Financial Projections for AAA Life
- Exhibit H Audited Financial Statements of the Buyer

Buyer hereby respectfully requests confidential treatment for the portions of the Biographical Affidavits subject to confidentiality protections in order to protect the privacy of the persons submitting affidavits.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

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

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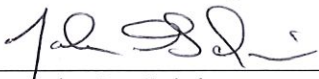
ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, AAA Northeast Holdings, Inc. has caused this application to be duly signed on behalf in the City of Providence and State of Rhode Island on the 21st day of December, 2021.

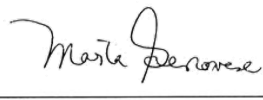
(SEAL)

AAA Northeast Holdings, Inc

By: 

Name: John R. Galvin

Title: President

Attest: 

(Signature of Officer)

Assistant Secretary

(Title)

CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application dated December 21, 2021 for and on behalf of AAA Northeast Holdings, Inc. (Name of Applicant); that she or he is the President 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) 

John R. Galvin