SINCE 1904
MUTUAL TRUST
FINANCIAL GROUP®

POLICYHOLDER INFORMATION BOOKLET

RELATING TO THE

AGREEMENT AND PLAN OF MERGER

BETWEEN

MUTUAL TRUST HOLDING COMPANY

AND

PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

Dated as of October 1, 2015

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Dear Mutual Trust Holding Company Member:

We are pleased to present for your consideration our proposal, which has been unanimously approved by our Board of Directors, to enter into an agreement and plan of merger with Pan-American Life Mutual Holding Company, a Louisiana mutual insurance holding company ("*Pan-American*"). The following is an overview of the proposal you are being asked to approve, as well as information regarding how the proposed transaction will impact you as a member of Mutual Trust Holding Company ("*MTL*").

MTL is an Illinois mutual insurance holding company. Pursuant to its mutual insurance holding company structure, MTL Holdings, Inc., a Delaware intermediate stock holding company and a wholly-owned subsidiary of MTL ("*MTL Holdings*"), owns all of the voting securities of MTL Insurance Company, an Illinois stock insurance company ("*MTLIC*"). In a mutual insurance holding company structure, the mutual insurance holding company does not have any stockholders and policyholders of the stock insurance company are the members of the mutual insurance holding company with certain voting and other rights. This means the policyholders/members, such as you, essentially have two interests: (1) a policyholder interest in MTLIC, as a holder of an insurance policy or annuity contract issued by MTLIC and (2) a membership interest in MTL. Among other things, the policyholder interest entitles you to insurance coverage or annuity payments (as the case may be) provided by the stock insurance company and any dividends declared on your insurance policy. The membership interest entitles you, among other things, to vote at the mutual insurance holding company's annual meetings (assuming you satisfy certain other criteria) and on extraordinary transactions (such as the one described below). The membership interest also entitles you to a share of any surplus in the company in the unlikely event that it is liquidated or otherwise dissolved, and to receive a payment in the form of subscription rights, stock, cash, policy credits or other consideration if MTL ever were to convert to an investor-owned stock company (a process known as "*demutualization*").

The fundamental change you are being asked to approve is the merger (the "*Merger*") of MTL with and into Pan-American, with Pan-American being the surviving company in the Merger. Immediately following the Merger, the Boards of Directors of MTL Holdings and Pan-American Life Insurance Group, Inc., a Louisiana corporation and wholly-owned subsidiary of Pan-American ("*PALIG*"), will consummate a subsequent merger whereby MTL Holdings will be merged with and into PALIG (the "*Subsequent Merger*" and together with the Merger, collectively, the "*Mergers*"), with PALIG being the surviving company in such merger. The Mergers are part of a single agreement and plan of merger, and neither would occur without the other.

The Mergers would not alter your policy interests in MTLIC. Your insurance policy or annuity contract would remain essentially the same; any changes to the rights you have to dividends paid out under your policy will be described herein. Your membership interest in MTL, however, will be converted into a membership interest in Pan-American, which has other operating subsidiaries and other members. You would have the right to vote at any meeting of Pan-American. You should be aware that after the Merger, existing and future policyholders of MTLIC will only comprise a portion of the larger group of members of Pan-American (the "*Pan-American Members*"), which will also include the existing and future policyholders of Pan-

American Life Insurance Company, a Louisiana stock insurance company ("*PALIC*"). Thus, the voting power of the policyholders of MTLIC ("*MTLIC Policyholders*") with respect to the election of directors of Pan-American and other matters requiring a vote of Pan-American members will be shared with the existing and future policyholders of PALIC, who will also be Pan-American Members, resulting in substantial dilution in the voting power of MTLIC Policyholders (who comprise 100% of the voting members of MTL (the "*MTL Members*")).

You would also have the right to receive a portion of the surplus of Pan-American if it is ever liquidated or otherwise dissolved, and the right to receive a payment in the form of stock, cash, policy credits or other consideration if Pan-American ever demutualizes, both of which may or may not ever occur.

You will be able to vote on the Merger Agreement and the transactions contemplated thereby, including the Mergers, at a special meeting of the MTL Members (the "*Special Meeting*"). The details about the time and place for the Special Meeting, as well as how to vote, are provided in the Notice of Special Meeting of MTL Members which follows this letter.

The Board of Directors of MTL has unanimously approved and adopted the Merger Agreement. The MTL Board believes that the Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement, including the Mergers, are fair to and in the best interests of MTL and the MTL Members. The Board of Directors of MTL unanimously recommends that you vote "**FOR**" the proposal related to the Merger Agreement and "**FOR**" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies, which proposals are set forth in the Policyholder Information Booklet that follows this letter under the heading "*Special Meeting*."

Because of the significance of the Mergers to the future of MTL, your participation at the Special Meeting is especially important. You may attend the Special Meeting in person or submit your vote by proxy in any of the following ways: returning the enclosed proxy card, voting by telephone or voting by Internet. For the Merger Agreement to be approved, two-thirds of the votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR the proposal related to the Merger Agreement.

If you do not plan to vote in person at the Special Meeting, it is important that you vote by proxy or by phone or by Internet. Instructions on how to vote by phone or Internet are included in the enclosed special proxy. Proxies sent by mail must be received by the time of the Special Meeting. In order to ensure that your proxy is received prior to the time of the Special Meeting, MTL encourages MTL Members to send proxies by 5:00 p.m., Central Time, on October 26, 2015. Your prompt cooperation will be greatly appreciated.

A more thorough discussion of MTL's proposed changes, a summary of these changes and a discussion of the advantages and disadvantages of the changes, as well as other alternatives considered by the Board of Directors of MTL, all of which you should carefully read, are included in the accompanying Policyholder Information Booklet and the related Exhibit Volume.

Sincerely,

Stephen M. Batza

Stephen M. Batza
Chairman, President and Chief Executive Officer
Mutual Trust Holding Company

NOTICE OF SPECIAL MEETING OF MEMBERS TO VOTE ON THE MERGER OF MTL AND PAN-AMERICAN

Meeting Date: October 29, 2015

Meeting Time: 9:00 a.m., Central Time

Meeting Place: MTL's home office, 1200 Jorie Boulevard, Oak Brook, Illinois 60523

To MTL Members:

We are pleased to notify you of a Special Meeting of members ("*MTL Members*") of Mutual Trust Holding Company, an Illinois mutual insurance holding company ("*MTL*"). The purpose of the meeting is to vote on the following proposals (the "*Proposals*"):

PROPOSALS:

To approve the Agreement and Plan of Merger (the "*Merger Agreement*") between MTL and Pan-American Life Mutual Holding Company, a Louisiana mutual insurance holding company ("*Pan-American*"), pursuant to the provisions of Article X of the Illinois Insurance Code, 215 ILCS 5/Art. X, and the transactions contemplated thereby, including (i) the merger (the "*Merger*") of MTL with and into Pan-American, with Pan-American being the surviving company in the Merger (the "*Surviving Mutual Holding Company*"), and the subsequent merger (the "*Subsequent Merger*" and together with the Merger, collectively, the "*Mergers*") whereby MTL Holdings, Inc., a Delaware intermediate stock holding company and wholly-owned subsidiary of MTL ("*MTL Holdings*"), will be merged with and into Pan-American Life Insurance Group, Inc., a Louisiana corporation and wholly-owned subsidiary of Pan-American ("*PALIG*"), with PALIG being the surviving company in the Subsequent Merger, and (ii) the appointment of the advisory board of MTLIC (the "*Advisory Board*") as representative of the MTL Members and as true and lawful attorney-in-fact and agent for and on behalf of each MTL Member as provided for in the Merger Agreement, all as more fully described in the accompanying Policyholder Information Booklet.

Additionally, to approve a proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the proposal related to the Merger Agreement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSALS.

Each person who, on the basis of the records of MTL Insurance Company, an Illinois stock insurance company ("*MTLIC*"), owned an MTLIC insurance policy or annuity contract and was thereby an MTL Member as of the close of business on September 30, 2015, and has met other requirements in accordance with the Illinois Insurance Code, the Articles of Incorporation and the Amended and Restated Bylaws of MTL, may vote at the meeting. Each such MTL Member has one vote for each policy or annuity contract owned by such member. To approve the proposal related to the Merger Agreement, two-thirds of the votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal. Approval of such proposal by the requisite vote of the voting MTL Members is a condition to, and is required for, consummation of the Mergers.

For the adjournment proposal to be approved, at least a majority of the voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal.

Your vote is important. If you do not plan to attend the meeting in person, please promptly complete, sign, date and return your proxy card in the enclosed envelope. You may also vote by phone or Internet. Instructions on how to vote by phone or Internet are included in the enclosed special proxy. **Proxies must be received by the time of the Special Meeting. In order to ensure that the proxy is received prior to the time of the Special Meeting, MTL encourages MTL Members to send proxies by 5:00 p.m., Central Time, on October 26, 2015.**

A proxy may be used by MTL Members who wish to authorize someone else to cast their proxies for them and is included with this mailing. If your proxy is damaged or missing, you may obtain a proxy form by writing Mutual Trust Holding Company, 1200 Jorie Boulevard, Oak Brook, Illinois 60523, Attention: Proxy Request, or call the MTL Information line at (800) 323-7320, extension 5060, Monday through Friday from 9:00 a.m. to 5:00 p.m., Central Time.

By Order of the Board of Directors of
Mutual Trust Holding Company

Geri Gaughan

Geri L. Gaughan
Senior Vice President, Administration, General
Counsel and Secretary
October 1, 2015

COMMONLY ASKED QUESTIONS ABOUT THE PROPOSED MERGER BETWEEN MUTUAL TRUST HOLDING COMPANY AND PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

1. What is the transaction that is taking place?

MTL and Pan-American have agreed to a merger of MTL and Pan-American, both mutual insurance holding companies, with Pan-American continuing as the Surviving Mutual Holding Company. MTL and Pan-American have also agreed to a subsequent merger of MTL Holdings and PALIG, with PALIG continuing as the surviving intermediate holding company.

2. When do you expect the Mergers to be completed?

The Mergers are expected to close in the second half of 2015. Given the complementary nature of MTL's and Pan-American's businesses, MTL anticipates a reasonably quick close and smooth integration.

3. Are there any regulatory or other approvals that must be obtained?

The Mergers must be approved by the MTL Members and the Pan-American Members. Additionally, the Mergers must be approved by both the Illinois Director of Insurance and the Louisiana Commissioner of Insurance.

The Illinois Director approved the Merger Agreement on September 29, 2015. The Illinois Director's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

4. Will the Mergers change MTL's mission?

No. MTL remains focused on delivering a range of high-quality life insurance and annuity products throughout the United States.

5. Why did MTL agree to merge with Pan-American?

MTL's interest in merging with Pan-American was based on several factors. First, like MTL, Pan-American has a strong tradition of providing policyholders with exceptional products and service for more than 100 years. MTL and Pan-American also share a common vision and culture, and complementary lines of business and geographic footprints.

In addition, MTL believes that there are a number of potential advantages anticipated to result from the Mergers, including potential future financial strength rating benefits, greater access to capital, meaningful synergies and capital efficiencies, as well as the fact that MTLIC will maintain its identity following the Mergers, all as described more fully under "Reasons for Mergers and Voting Considerations – Potential Advantages of the Mergers."

6. **Why does Pan-American want to bring MTLIC into its organization?**

   Pan-American values MTL's strong tradition of providing policyholders with exceptional products and service and appreciates the common vision and culture of MTL and Pan-American and their complementary lines of business and geographic footprints. In addition, MTL's meaningful presence in the United States life insurance market and expertise in the mass affluent market will provide a new source of U.S.-focused growth for Pan-American, while MTL's technology platform will help drive operational efficiencies in the combined U.S. domestic life insurance business.

7. **How will the Mergers affect MTL's bottom-line?**

   MTL believes financial performance should improve since Pan-American is a profitable company; combined, the Surviving Mutual Holding Company will become a stronger organization, with more earnings, more capital and enhanced growth prospects.

8. **What will happen to MTL's headquarters in Oak Brook, Illinois?**

   Upon completion of the Mergers, MTL's current Chairman, President and Chief Executive Officer, Mr. Stephen M. Batza, will lead Pan-American's re-launched domestic life business from MTL's current headquarters in Oak Brook, Illinois. MTLIC will operate as a wholly-owned subsidiary of Pan-American and its management team and brand will remain in place.

9. **What will happen to the MTL brand?**

   In connection with the Mergers, MTLIC will change its name to Mutual Trust Life Insurance Company. Following the Mergers, MTLIC is expected to continue operating as a stock insurance company as it does today as a member of Pan-American Life Insurance Group. MTLIC's meaningful presence in the U.S. life market and expertise in the mass affluent market will provide a new source of U.S.-focused growth for Pan-American.

10. **Will there be any management changes as a result of the Mergers?**

    Upon completion of the Mergers, the current officers of MTLIC will continue to serve as officers of MTLIC. The combined organization will be led by Pan-American's Chairman of the Board, President and CEO, José S. Suquet. MTL's current Chairman, President and Chief Executive Officer, Stephen M. Batza, will lead Pan-American's re-launched U.S. domestic life business from MTL's current headquarters in Oak Brook, Illinois.

11. **If I am an MTL Member now, will I automatically become a Pan-American Member following the Mergers?**

    Yes. Each MTL Member immediately prior to the Mergers (i) will be a member of the Surviving Mutual Holding Company and will remain a member so long as at least one policy or contract which gave rise to such member's status as an MTL Member remains in-force, and (ii) will have all rights conferred on members of the Surviving Mutual Holding Company.

Each new MTLIC Policyholder following the Merger will automatically become a member of the Surviving Mutual Holding Company.

12. Will the Mergers impact the voting rights of current MTL Members? How?

After the Mergers, MTLIC Policyholders and future MTLIC Policyholders will comprise only a portion of the larger group of Pan-American Members, which will also include the existing and future policyholders of PALIC. Thus, the voting power of MTLIC Policyholders with respect to the election of directors of Pan-American and other matters requiring a vote of Pan-American Members will be shared with the existing and future policyholders of PALIC, who will also be Pan-American Members, resulting in substantial dilution in the voting power of MTLIC Policyholders from the 100% they currently have as to MTL.

In addition, currently, each MTL Member is entitled to one vote for each MTLIC policy or annuity contract owned by such MTL Member. After the Mergers, each Pan-American Member (including former MTL Members) will be entitled to one vote (regardless of how many policies or annuity contracts such Pan-American Member owns).

13. Will the Merger impact MTLIC Policyholders' current policies?

Existing policies and contracts with MTLIC Policyholders will remain unchanged. All MTLIC Policyholders should look forward to being affiliated with a financially stronger and more diversified company.

14. Will the Mergers adversely affect MTL's ability to fulfill its financial commitments to policyholders?

No. The Mergers will result in a combined company that has superior financial strength and an enhanced ability to serve the needs of partners and policyholders.

No persons have been authorized to give any information or to make any representation inconsistent with this Policyholder Information Booklet in connection with the Proposals and any such information or representation, if given or made, must not be relied upon as having been authorized by MTL. The delivery of this Policyholder Information Booklet shall not create an implication that there have not been any changes in the affairs of MTL since the date hereof or that the information herein is correct as of any time subsequent to its date. Certain capitalized terms used in this Policyholder Information Booklet are defined in the Glossary.

INTRODUCTION

This Policyholder Information Booklet relates to the proposed merger of Mutual Trust Holding Company, an Illinois mutual insurance holding company ("*MTL*" or the "*Company*"), pursuant to the terms of the Agreement and Plan of Merger, dated April 7, 2015 (the "*Merger Agreement*"), between MTL and Pan-American Life Mutual Holding Company, a Louisiana mutual insurance holding company ("*Pan-American*"). The full text of the Merger Agreement, including exhibits to the Merger Agreement, is included in Exhibit A of the related Exhibit Volume to this Policyholder Information Booklet ("*Exhibit Volume*"). Pursuant to the Merger Agreement, MTL will merge with and into Pan-American (the "*Merger*"), with Pan-American being the surviving company in the Merger (the "*Surviving Mutual Holding Company*"). Upon consummation of the Merger, MTL Holdings Inc., a Delaware corporation and a wholly owned subsidiary of MTL ("*MTL Holdings*"), and Pan-American Life Insurance Group, Inc., a Louisiana corporation and wholly owned subsidiary of Pan-American ("*PALIG*"), will consummate a subsequent merger whereby MTL Holdings will be merged with and into PALIG (the "*Subsequent Merger*" and together with the Merger, collectively, the "*Mergers*")), with PALIG being the surviving company in the Subsequent Merger (the "*Intermediate Holding Company*"). Neither of the Mergers will be consummated unless both are consummated.

The Merger Agreement is subject to review by and approval of the Director of Insurance for the State of Illinois (the "*Illinois Director*") and other conditions. Prior to the Illinois Director making a determination of whether to approve the Mergers, the Illinois Department of Insurance conducted a public hearing. The Illinois Director completed her review and approved the Merger Agreement on September 29, 2015. The Illinois Director's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

The Merger Agreement is also subject to review by and approval of the Commissioner of Insurance for the State of Louisiana (the "*Louisiana Commissioner*"). The necessary number of eligible Pan-American Members have approved the Mergers; therefore, the Louisiana Commissioner held a public hearing on September 3, 2015. Following the public hearing, the Louisiana Commissioner issued an order approving the Merger Agreement on September 25, 2015. Likewise, the Louisiana Commissioner's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

Members of MTL ("*MTL Members*") as of the effective time of the Merger (the "*Effective Time*") will receive membership interests in Pan-American in connection with the conversion of the membership interests in MTL by virtue of the Merger. The MTL Members generally will not recognize gain or loss on the exchange of their membership interests in MTL for membership interests in Pan-American as a result of the Merger. The Mergers will **NOT** affect your contractual rights under your policy of insurance or annuity contract with MTL Insurance Company, an Illinois stock insurance company ("*MTLIC*"). Concurrent with the consummation of the Mergers, the principles set forth in a dividend protection plan (referred to as the dividend protection plan, or "*DPP*"), as more fully described herein, which is designed to protect and maintain the reasonable dividend expectations of MTLIC's policyholders as of the Effective Time and will apply from and after the Effective Time to such policyholders. For a discussion of the DPP and other effects that the Merger Agreement will have on you as a MTL Member or an MTLIC Policyholder, see "The Mergers," beginning on page 48.

The Board of Directors of MTL has unanimously approved and adopted the Merger Agreement, and unanimously recommends that you vote "FOR" the approval of the Merger Agreement and the transactions contemplated thereby and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies at the special meeting of MTL Members. See "Notice of Special Meeting of Members to Vote on the Merger of MTL and Pan-American" which precedes the Introduction to this Policyholder Information Booklet for details of the Proposals.

The date of this Policyholder Information Booklet is October 1, 2015.

SUMMARY

The following summary is not intended to be complete and is qualified in all respects by the more detailed information and financial statements appearing elsewhere in this Policyholder Information Booklet. Unless otherwise defined, capitalized terms have the meaning ascribed to them herein or in the Merger Agreement. MTL Members are urged to read this Policyholder Information Booklet and the related Exhibit Volume in their entirety.

Overview of the Mergers

The proposed Mergers, as contemplated by the Merger Agreement, are comprised of two components: the Merger and the Subsequent Merger. MTL Members are being asked to vote on the proposal related to the Merger Agreement in its entirety. The Merger will not occur unless the Subsequent Merger can occur immediately thereafter and the Subsequent Merger will not occur unless the Merger occurs. MTL will merge with and into Pan-American in accordance with the Merger Agreement, with Pan-American being the surviving company. Immediately upon consummation of the Merger, MTL Holdings will merge with and into PALIG in accordance with the Merger Agreement, with PALIG being the surviving company.

If the Mergers are consummated, among other things:

- The insurance policies of the existing policyholders of MTLIC ("*MTLIC Policyholders*") will remain in effect without modification. In addition, the guaranteed benefits and values, and the contractual rights of MTLIC Policyholders, as described in their policies, will not be reduced or altered in any way. The premiums required to be paid as specified in the policies will not be increased or otherwise changed as a result of the Mergers.

- Current and future MTLIC Policyholders will become members of Pan-American (together with the existing members of Pan-American and future policyholders of PALIC).

- MTLIC's dividend practices will not be changed adversely by reason of the Mergers, although, as always, policy dividends may vary from year to year and future changes in dividend practices may occur in response to future events or circumstances.

- MTL will have representation on the Board of Directors of the Surviving Mutual Holding Company for at least a five-year period following the Effective Time (the "*Five-Year Mandatory Period*").

- MTLIC will change its name to Mutual Trust Life Insurance Company but will continue to operate as a stock insurance company as it does today as a member of Pan-American Life Insurance Group.

- The current officers of MTLIC will continue to serve as officers of MTLIC following consummation of the Mergers.

- MTLIC will continue to maintain its current executive offices in Illinois for at least five years following consummation of the Mergers.

- MTLIC will maintain an advisory board (the "*Advisory Board*") comprised of certain existing members of the Board of Directors of MTL ("*MTL Board*") for at least a seven-year period following the Effective Time (the "*Seven-Year Mandatory Period*"). The Advisory Board shall provide advice to the Board of Directors and management of MTLIC and the Surviving Mutual Holding Company and provide recommendations with respect to the business and operations of MTLIC. In addition, the Advisory Board will confer with MTLIC and determine whether any proposed modifications to the DPP are acceptable in accordance with the DPP. If the proposal related to the Merger Agreement is approved, the Advisory Board will be appointed as representative of the MTL Members and as true and lawful attorney-in-fact and agent for and on behalf of each MTL Member for purposes of enforcing on behalf of the Members (in their capacity as such) certain provisions of the Merger Agreement intended to protect the MTL Members and MTLIC Policyholders.

- Stephen M. Batza, the current Chairman, President and Chief Executive Officer of MTLIC, will remain the President and Chief Executive Officer of MTLIC and will serve as a member of MTLIC's Board of Directors. Mr. Batza will become the President of U.S. Domestic Life Operations of Pan-American and a member of Pan-American's Board of Directors at the Effective Time.

Certain Effects of the Mergers on Your Membership Interest

MTL's merger with and into Pan-American, a much larger organization, would effect a fundamental change in MTL's structure. This change is described more fully later in this Policyholder Information Booklet, but generally, membership interests in MTL would be converted into membership interests in Pan-American, while the contractual policy rights of MTLIC Policyholders would remain unchanged.

While Pan-American has indicated it has no current plans to conduct an initial public offering or a private offering of its stock (collectively referred to herein as an "*IPO*"), at a future time, PALIG, the intermediate holding company subsidiary of Pan-American, could conduct an IPO. If such an offering were to occur, outside investors who buy the stock would become shareholders in PALIG, which would reduce the proportionate ownership interests of MTLIC Policyholders in PALIG. Accordingly, these investors could receive shareholder dividends on their shares of PALIG stock when, as and if declared by the Board of Directors of PALIG (the "*PALIG Board*"), based upon the financial performance of PALIG's subsidiaries, including MTLIC. Pan-American, however, must always retain ownership of a majority of the voting securities of PALIG. Moreover, Pan-American would also be a shareholder of PALIG and would therefore also be entitled to any shareholder dividends declared and paid on PALIG shares.

Under MTL's current structure, dividends may be paid only to policyholders. In order for Pan-American to remit dividends received from PALIG to its members, instead of reinvesting or retaining such dividends, the Board of Directors of Pan-American (the "*Pan-American Board*") and the Louisiana Department of Insurance would have to approve the dividend to members. Because of the uncertainty as to whether, when or how often, if ever, such a member dividend by Pan-American would be declared and approved, a MTLIC Policyholder should not decide to vote in favor of the Proposals based on the expectation of any member dividends. Policy dividends are not the same as member dividends, and MTLIC Policyholders would continue to be entitled to policy dividends when, as and if declared by the MTLIC Board of Directors. The possible effects on MTLIC Policyholders of PALIG having other shareholders are discussed in greater detail later in this Policyholder Information Booklet. See "The Mergers - Impact on Your Membership Interests - Effect of an Offering of Stock by PALIG," at page 48.

A chart illustrating the effects of the Mergers on the contract rights of MTLIC Policyholders and the membership rights of MTL Members can be found on page 53 of this Policyholder Information Booklet.

Special Meeting

A Special Meeting will be held on October 29, 2015, at 9:00 a.m., Central Time, at MTL's home office, 1200 Jorie Boulevard, Oak Brook, Illinois 60523. See "Notice of Special Meeting of Members to Vote on the Merger of MTL and Pan-American" which precedes the Introduction to this Policyholder Information Booklet. At the Special Meeting, the voting MTL Members will be asked to consider and vote, by special proxy or in person, on the Merger Agreement and the transactions contemplated thereby and to vote on a proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the proposal related to the Merger Agreement.

Eligibility to Vote

Only those MTL Members who, on the basis of records of MTLIC, owned an MTLIC insurance policy or annuity contract and were thereby MTL Members as of the close of business on September 30, 2015, and meet other eligibility requirements under the Illinois Insurance Code, the Articles of Incorporation and the Amended and Restated Bylaws of MTL are eligible to vote at the Special Meeting. These eligibility requirements include the following:

- such MTL Member is the owner of an insurance policy; or
- such MTL Member is the owner of an annuity contract; and
- in either case, the insurance policy or annuity contract that gives rise to status as an MTL Member is in force.

Each MTL Member entitled to vote at the Special Meeting is entitled to cast one vote for each insurance policy or annuity contract owned or held by such MTL Member. In the case of group insurance master policies and group annuities, pursuant to MTL's By-laws, certificate holders under such group policies are not MTL Members unless otherwise provided by applicable law.

MTL is sending the notice and related informational materials to all persons who were MTL Members as of the close of business of September 30, 2015. Such informational materials are also posted on MTL's website at *www.mutualtrust.com*.

Vote Required

Each voting MTL Member is entitled to cast one vote for each insurance policy or annuity contract such voting MTL Member owns or holds. To approve the proposal related to the Merger Agreement, two-thirds of the votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal. Approval of such proposal by the requisite vote of the voting MTL Members is a condition to, and is required for, consummation of the Mergers.

For the adjournment proposal to be approved, at least a majority of the voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal.

How to Vote

You can vote on the Proposals in one of four ways:

- by mail by returning your proxy card to us in the postage-prepaid envelope as described above,
- by telephone by calling 866-221-8434,
- by the Internet at *www.proxypush.com/MTLFG* according to the instructions on the special proxy, or
- by casting your vote in person at the Special Meeting of MTL Members.

For more information, see "Special Meeting."

Background; Reasons for Mergers and Voting Considerations; Consideration of Alternatives

The primary reasons for the proposed Merger are to seek to strengthen MTL's financial position and position it for future growth through a combination with Pan-American.

The MTL Board arrived at the decision to approve and adopt the Merger Agreement after extensive deliberations and the consideration of the advantages and disadvantages of the Merger, as well as alternatives to the Merger. These alternatives included remaining as an independent mutual insurance holding company without merging, which has advantages and disadvantages as compared to the Merger; the advantages and disadvantages are described beginning at page 37.

The MTL Board believes that the Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement, including the Merger, are fair to and in the best interests of MTL and the MTL Members. See "Reasons for Mergers and Voting Considerations," at page 37, and "Recommendation of the MTL Board of Directors and the MTL Transaction Committee," at page 44.

Recommendation of the MTL Board of Directors and the MTL Transaction Committee

The MTL Board formed a transaction committee (the "*MTL Transaction Committee*") to, among other things, investigate the proposed Mergers and to determine whether to recommend the Merger Agreement and the consummation of the Mergers to the MTL Board. The MTL Transaction Committee unanimously recommended the Merger Agreement and the consummation of the Mergers to the MTL Board.

In addition, the MTL Board has unanimously approved and adopted the Merger Agreement. The MTL Board believes that the Merger Agreement is fair to and in the best interests of the MTL Members and the MTLIC Policyholders and that the interests of the MTL Members and the MTLIC Policyholders are properly protected. **Accordingly, the MTL Board recommends that you vote FOR the proposal related to the Merger Agreement.** See "Recommendation of the MTL Board of Directors and the MTL Transaction Committee," at page 44. In addition, the MTL Board recommends that you vote FOR the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the proposal related to the Merger Agreement.

Corporate Governance of Pan-American and Subsidiaries

Pan-American and MTL agreed to certain matters relating to the composition of the boards of directors of the Surviving Mutual Holding Company, the Intermediate Holding Company, PALIC and MTLIC, including the number of designees of each party to such boards and the creation of the Advisory Board to advise MTLIC. If the Mergers are not consummated, these corporate governance provisions will not become effective. See "Corporate Governance of Pan-American and Subsidiaries."

The Merger Agreement

The Merger Agreement contains customary provisions dealing with certain conditions precedent to the Mergers, such as (i) the parties obtaining the necessary regulatory approvals, (ii) covenants dealing with the conduct of the businesses of MTL and Pan-American prior to the completion of the Mergers, (iii) no solicitations of other transactions, (iv) post-Merger governance matters, (v) operations of subsidiaries following the Mergers, and (vi) provisions pertaining to the termination of the Merger Agreement, including a termination fee of $12,000,000, payable under certain prescribed circumstances. See "The Merger Agreement."

United States Federal Income Tax Consequences

The MTL Members generally will not recognize gain or loss on the exchange of their membership interests in MTL for membership interests in Pan-American solely as a result of the Merger. The Merger will not cause any MTLIC policy to be treated as newly issued, and it will not adversely affect any MTLIC policy that is an individual retirement annuity or tax sheltered annuity or that is held as part of a tax-qualified retirement funding arrangement.

Regulatory Matters

The Illinois Director completed her review and approved the Merger Agreement on September 29, 2015. The Illinois Director's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers. The Louisiana Commissioner also reviewed the Merger Agreement and other documents determined to be relevant. The necessary number of eligible Pan-American Members have approved the Mergers; therefore, the Louisiana Commissioner held a public hearing on September 3, 2015. Following the public hearing, the Louisiana Commissioner issued an order approving the Merger Agreement on September 25, 2015. Additionally, Pan-American and MTL both filed notification report forms under the Hart–Scott–Rodino Antitrust Improvements Act of 1976 (the "*HSR Act*") with the Federal Trade Commission and the Antitrust Division of the Justice Department, and early termination of the waiting period under the HSR Act was granted on June 1, 2015.

Business of the Companies

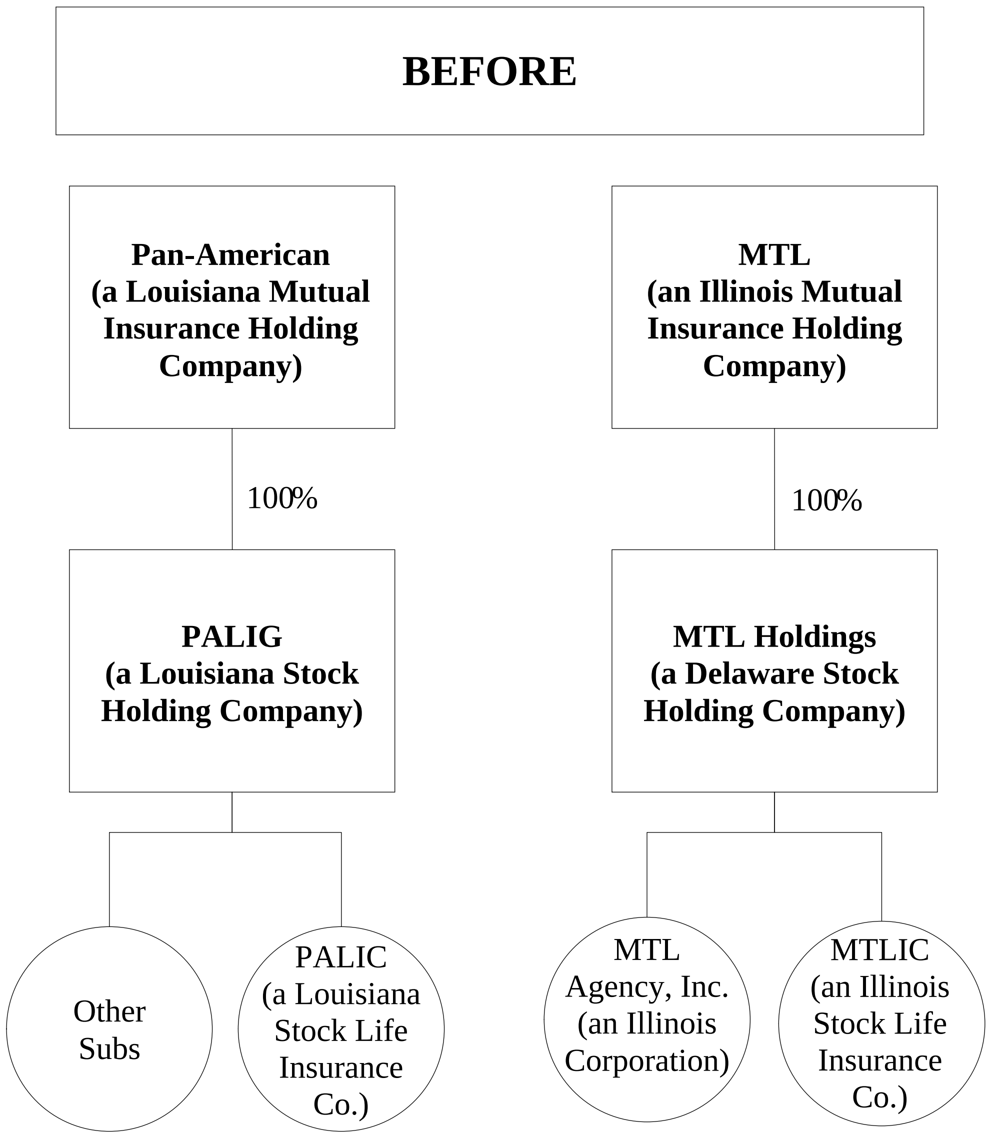
MTL is a leading mutual organization and provider of quality insurance products through its member company, MTLIC, an Illinois-domiciled stock insurance company. Founded in 1904, MTLIC is a leading financial services company, offering, together with its affiliates, a broad array of insurance and financial products and services. MTLIC is licensed in 49 states (excluding New York) and the District of Columbia. Approximately 12% of MTLIC Policyholders are Illinois policyholders. MTLIC offers whole, universal, and term life insurance and annuities through a network of field associates, including general agents and brokerage general agents. MTL is rated "A-" (Excellent) by A.M. Best Company, Inc. and "A" (Strong) by Standard & Poor's Rating Services. Both ratings have a stable outlook.

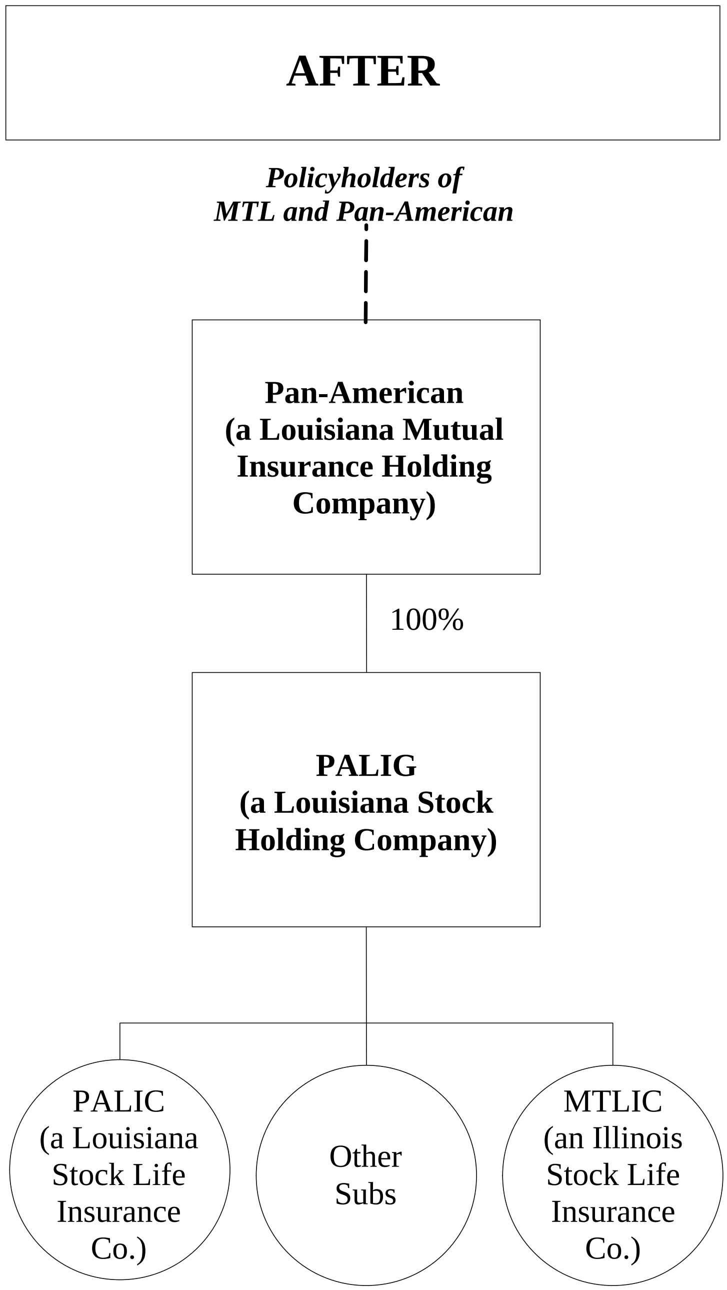
Pan-American is a mutual insurance holding company serving customers in the United States, Puerto Rico, the Caribbean and Central and Latin America, providing directly or through subsidiaries, a range of products and services that include individual life insurance, group life and accident and health insurance products, disability income insurance, and worksite benefits programs. PALIC is rated "A" (Excellent) by A.M. Best Company, Inc. and "A" (Strong) by the Fitch Ratings Insurance Group.

For more information about MTL and Pan-American, see "Business of the Companies" on page 87.

Corporate Structure Before and After the Mergers

The following diagrams depict the organizational structures of (1) MTL and Pan-American and each of their respective subsidiaries, including MTL Holdings, MTLIC, PALIG and PALIC, before the Mergers and (2) Pan-American and its subsidiaries, including MTLIC, PALIG and PALIC, after the Mergers.




AFTER
Policyholders of
MTL and Pan-American
Pan-American
(a Louisiana Mutual
Insurance Holding
Company)
100%
PALIG
(a Louisiana Stock
Holding Company)
PALIC
(a Louisiana
Stock Life
Insurance
Co.)
Other
Subs
MTLIC
(an Illinois
Stock Life
Insurance
Co.)

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Selected Historical Consolidated Financial Information of MTL

Set forth below is certain selected historical consolidated financial information relating to MTL and its consolidated subsidiaries prepared in accordance with United States Generally Accepted Accounting Principles ("*GAAP*"). The selected historical consolidated financial information as of December 31, 2014, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2014 have been derived from MTL's audited consolidated financial statements and accompanying notes included in this Policyholder Information Booklet and incorporated by reference herein.

The unaudited selected historical consolidated financial data as of March 31, 2015 and for the three months ended March 31, 2015 has been derived from MTL's unaudited consolidated financial statements included in this Policyholder Information Booklet and incorporated by reference herein. The consolidated financial statements as of March 31, 2015 and for the three months ended March 31, 2015 are unaudited, but, in the opinion of MTL's management, contain all adjustments necessary to present fairly MTL's financial position and results of operations for the periods indicated.

Historical results should not be taken as necessarily indicative of the results that may be expected for any future period. More comprehensive financial information is contained in this Policyholder Information Booklet in Exhibit D – Financial Statements of MTL, and the following summary is qualified in its entirety by reference to such Exhibit D and all of the financial information and notes contained therein.

(In Thousands)	For the three months ended March 31, 2015	For the twelve months ended, December 31 2014	2013	2012
MTL Statement of Income Data:				
Premiums	39,481	166,242	190,650	207,497
Net investment income	21,285	83,248	82,297	81,432
Realized investment gains	815	2,895	3,198	14,565
Other income	924	9,093	9,014	10,175
Total revenues	62,505	261,478	285,159	313,669
Benefits incurred or interest credited to policyholder account balances	41,687	181,515	204,694	220,635
Dividends to policyholders	1,786	7,113	9,720	13,020
Underwriting, acquisition, and other expenses	13,789	56,295	55,607	57,086
Total benefits and expenses	57,262	244,923	270,021	290,741
Income before income taxes	5,243	16,555	15,139	22,928
Income tax expense	1,506	5,507	5,600	7,890
Net income	3,737	11,048	9,539	15,038

(In Thousands)	As of March 31, 2015	As of, December 31 2014	2013	2012
MTL Balance Sheet Data:				
Assets				
Total cash and invested assets	1,963,416	1,936,033	1,830,210	1,810,667
Deferred policy acquisition costs	111,185	120,570	157,735	94,830
Other assets	132,277	129,158	116,242	97,037
Total assets	2,206,878	2,185,761	2,104,187	2,002,534
Liabilities and policyowners' surplus				
Policyholder balances, benefits and claims	1,775,139	1,742,410	1,703,267	1,602,134
Long-term debt	50,388	50,857	50,857	20,310
Other liabilities	82,576	104,069	92,429	107,680
Total liabilities	1,908,103	1,897,336	1,846,553	1,730,124
Total policyowners' surplus	298,775	288,425	257,634	272,410
Total liabilities and policyowners' surplus	2,206,878	2,185,761	2,104,187	2,002,534

Selected Historical Consolidated Financial Information of Pan-American

Set forth below is certain selected historical consolidated financial information relating to Pan-American and its consolidated subsidiaries prepared in accordance with GAAP. The selected historical consolidated financial information as of December 31, 2014, 2013 and 2012 and for each of the years in the three-year period ended December 31, 2014 have been derived from Pan-American's audited consolidated financial statements and accompanying notes included in this Policyholder Information Booklet and incorporated by reference herein.

The unaudited selected historical consolidated financial data as of March 31, 2015 and for the three months ended March 31, 2015 has been derived from Pan-American's unaudited consolidated financial statements included in this Policyholder Information Booklet and incorporated by reference herein. The consolidated financial statements as of March 31, 2015 and for the three months ended March 31, 2015 are unaudited, but, in the opinion of Pan-American's management, contain all adjustments necessary to present fairly Pan-American's financial position and results of operations for the periods indicated.

Historical results should not be taken as necessarily indicative of the results that may be expected for any future period. More comprehensive financial information is contained in this Policyholder Information Booklet in Exhibit E – Financial Statements of Pan-American, and the following summary is qualified in its entirety by reference to such Exhibit E and all of the financial information and notes contained therein.

(in thousands)	For the three months ended March 31, 2015	For the twelve months ended, December 31, 2014	2013	2012
Pan-American Statement of Income Data:				
Premiums earned and contract charges	146,512	552,463	511,812	435,324
Net investment income	35,433	138,231	133,365	116,194
Net realized investment gains (losses)	619	7,661	(226)	5,069
Other insurance operating revenues	1,815	12,332	8,286	4,777
Total revenues	184,379	710,687	653,237	561,364
Policyholder benefits and claims and interest credited to policyholder accounts	107,490	390,359	370,405	334,460
Underwriting, amortization of deferred acquisition costs, value of business acquired, and other operational expenses[(1)]	62,505	246,611	222,739	190,662
Interest expense	969	3,874	3,970	3,958
Total benefits and expenses	170,964	640,844	597,114	529,080
Income from continuing operations before income taxes	13,415	69,843	56,123	32,284
Provision for income taxes	5,332	13,305	12,277	11,360
Income from continuing operations	8,083	56,538	43,846	20,924
(Loss) income from discontinued operations (net of income taxes of $0, 7,390 and $964 in 2014, 2013 and 2012, respectively)[(2)]	-	(3,175)	24,282	3,073
Net income	8,083	53,063	68,128	23,997
Net income attributable to noncontrolling interest	-	(700)	10,635	79
Net income attributable to Pan-American Life Mutual Holding Company	8,083	53,063	57,493	23,918

(1) Includes acquisition related expenses of $6,062 and $19,254 in 2013 and 2012, respectively.
(2) Includes sale of hotel that accounts for $25,012 (net of taxes of $7,390) in 2013.

(In Thousands)	**As of March 31, 2015**	**As of December 31, 2014**	**2013**	**2012**
Pan-American Balance Sheet Data:				
Assets				
Total cash and invested assets	2,869,455	2,849,052	2,675,114	2,666,875
Deferred policy acquisition costs	140,549	142,261	136,036	93,096
Value of business acquired	7,753	7,916	8,764	10,407
Goodwill and other intangible assets	6,649	6,888	10,111	12,176
Other assets	278,616	255,320	258,088	255,537
Total assets	3,303,022	3,261,437	3,088,113	3,038,091
Liabilities and equity				
Policyholder balances, benefits and claims	2,392,812	2,367,432	2,253,713	2,198,755
Notes payable	50,061	50,093	50,223	50,361
Other liabilities	181,145	173,886	173,380	208,947
Total liabilities	2,624,018	2,591,411	2,477,316	2,458,063
Total equity	679,004	670,026	610,797	580,028
Total liabilities and equity	3,303,022	3,261,437	3,088,113	3,038,091

PRELIMINARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following preliminary unaudited pro forma condensed consolidated financial statements ("Pro Forma Financial Statements") are based on the separate historical financial statements of Pan-American and MTL after giving effect to the Mergers and the assumptions and adjustments described in the accompanying notes to the Pro Forma Financial Statements. The preliminary unaudited pro forma condensed consolidated balance sheet as of December 31, 2014 is presented as if the Mergers had occurred on December 31, 2014. The preliminary unaudited pro forma condensed statement of income for the year ended December 31, 2014 is presented as if the Mergers had occurred on January 1, 2014. The preliminary unaudited pro forma condensed statement of income for the period ended March 31, 2015 is presented as if the Mergers had occurred on December 31, 2014. The historical condensed consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the Mergers and, with respect to the statements of income only, expected to have a continuing impact on the consolidated results of operations.

The preparation of the Pro Forma Financial Statements and related adjustments required management to make certain assumptions and estimates. The Pro Forma Financial Statements should be read together with:

- the accompanying notes to the Pro Forma Financial Statements;
- MTL's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2014, included in Exhibit D of this Policyholder Information Booklet;
- Pan-American's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2014, included in Exhibit E of this Policyholder Information Statement;
- Pan-American's separate unaudited historical consolidated balance sheet and statement of comprehensive income as of and for the three months ended March 31, 2015;
- MTL's separate unaudited historical consolidated balance sheet and statement of comprehensive income as of and for the three months ended March 31, 2015; and
- other information pertaining to Pan-American and MTL contained in this Policyholder Information Booklet. See *"Selected Historical Consolidated Financial Information of Pan-American"* and *"Selected Historical Consolidated Financial Information of MTL."*

The preliminary unaudited pro forma condensed consolidated financial information has been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States (U.S. GAAP). After considering the relevant U.S. GAAP guidance, it has been determined that Pan-American is the acquiring entity for accounting purposes.

To apply the acquisition method of accounting to this merger, it is necessary to estimate the fair value of MTL as an enterprise as a whole (the "Enterprise Value") and MTL's net assets and liabilities on the effective date of the mergers. A final determination of such fair values, which cannot be made prior to the completion of the Mergers, will be based on the actual net tangible and intangible assets of MTL that exist as of the date of completion of the transaction. Consequently, amounts preliminarily estimated for value of business acquired, intangible assets, and other items, as well as the associated amortization in a given accounting period, could change significantly from those shown in the Pro Forma Financial Statements presented below.

In connection with the plan to integrate the operations of Pan-American and MTL following the completion of the Mergers, the management of Pan-American anticipates that nonrecurring charges may be incurred. The management of Pan-American is not able to determine the timing, nature and amount of these integration charges as of the date of this Policyholder Information Booklet. However, these charges may affect the results of operations of Pan-American and MTL, as well as those of the Surviving Mutual Holding Company following the completion of the Mergers, in the periods in which they are incurred. The Pro Forma Financial Statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transaction, as they are nonrecurring in nature and not factually supportable at the time that the Pro Forma Financial Statements were prepared. One-time transaction-related expenses anticipated to be incurred prior to, or concurrent with, the closing of the Mergers are not included in the preliminary unaudited pro forma condensed statement of income. However, the impact of such transaction expenses is reflected in the unaudited pro forma condensed consolidated balance sheet as a decrease to equity and cash and cash equivalents.

The adjustments that will be recorded as of the completion of the Mergers may differ materially from the information presented in these Pro Forma Financial Statements as a result of:

- changes in market conditions (interest rates and other factors) that impact the fair value of MTL's investment portfolio and insurance liabilities;
- changes in experience trends on MTL's insurance liabilities;
- the timing of the completion of the Mergers; and
- other changes in the Enterprise Value and the fair value of MTL's net assets that occur prior to the completion of the Mergers, which could cause material differences in the information presented below.

The Pro Forma Financial Statements are provided for informational purposes only. Additionally, the Pro Forma Financial Statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The Pro Forma Financial Statements do not give consideration to the impact of possible revenue enhancements, potential revenue decrease due to lost business, experience trends, expense efficiencies, synergies due to the merger, or asset dispositions that may result from the Mergers. The foregoing matters could cause both the unaudited pro forma condensed consolidated balance sheet and statement of income, and the actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma condensed consolidated financial statements.

Following the Mergers, management of the Surviving Mutual Holding Company will perform a more comprehensive review of the accounting policies of MTL, in an effort to determine if differences exist between Pan-American's and MTL's accounting policies and the related financial statement presentation which are not already reflected in the unaudited pro forma condensed consolidated financial information. As a result of that review, management of the Surviving Mutual Holding Company may identify additional differences that, when conformed, could also have a material impact on the unaudited pro forma condensed consolidated financial information.

PRELIMINARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of December 31, 2014
(In Thousands)

	Pan-American	MTL	Adjustments		Total
Assets					
Investments:					
Fixed maturity securities, available-for-sale	2,330,143	1,488,526	-		3,818,669
Equity securities, available-for-sale	130,564	9,802	-		140,366
Policy loans	131,015	263,255	-		394,270
Mortgage loans on real estate	2,415	127,265	3,953	(a)	133,633
Investments in real estate	11,038	3,450	-		14,488
Short-term investments	38,664	21,282	(5,000)	(b)	54,946
Other invested assets	40,443	21,244	1,444	(c)	63,131
Total investments	2,684,282	1,934,824	397		4,619,503
Cash and cash equivalents	164,770	1,209	(5,000)	(d)	160,979
Accrued investment income	30,698	15,027	-		45,725
Amounts recoverable from reinsurers	92,377	77,428	-		169,805
Deferred policy acquisition costs	142,261	120,570	(120,570)	(e)	142,261
Value of business acquired	7,916	-	65,799	(f)	73,715
Property and equipment	48,662	14,392	-		63,054
Goodwill and other intangible assets	6,888	-	-		6,888
Other assets	83,583	22,310	-		105,893
Total assets	3,261,437	2,185,760	(59,374)		5,387,823
Liabilities					
Policyholder account balances and other policyholder funds	1,522,076	304,201	-		1,826,277
Future policy benefits	709,599	1,459,645	110,999	(g)	2,280,243
Policy and contract claims	135,757	7,224	-		142,981
Debt	50,093	50,857	(188)	(h)	100,762
Other liabilities	173,886	75,409	(61,315)	(i)	187,980
Total liabilities	2,591,411	1,897,336	49,496		4,538,243
Equity					
Unappropriated members equity	-	257,687	(74,883)	(j)	182,804
Retained earnings	636,691	-	(3,250)	(k)	633,441
Accumulated other comprehensive income	32,091	30,737	(30,737)	(l)	32,091
Noncontrolling interest	1,244	-	-		1,244
Total equity	670,026	288,424	(108,870)		849,580
Total liabilities and equity	3,261,437	2,185,760	(59,374)		5,387,823

PRELIMINARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2014
(In Thousands)

	Pan-American	MTL[1]	Adjustments		Total
Revenues					
Net premiums earned	445,300	166,242	-		611,542
Contract charges	107,163	5,220	-		112,383
Net investment income	138,231	85,187	(6,842)	(a)	216,576
Net realized investment gains	7,661	2,895	-		10,556
Other income	12,332	3,873	-		16,205
Total revenues	710,687	263,417	(6,842)		967,262
Expenses					
Policyholder benefits and claims	322,354	170,289	(4,373)	(b)	488,270
Interest credited to policyholder account balances	58,736	11,226	-		69,962
Dividends to policyholders	9,269	7,113	-		16,382
Amortization of deferred policy acquisition costs and value of business acquired	17,428	23,644	(12,278)	(c)	28,794
Underwriting and other insurance operating expenses	229,183	32,133	-		261,316
Interest expense	3,874	2,457	-		6,331
Total benefits and expenses	640,844	246,862	(16,651)		871,055
Income from continuing operations before income taxes	69,843	16,555	9,809		96,207
Provision for income taxes	13,305	5,507	3,433	(d)	22,245
Income from continuing operation	56,538	11,048	6,376		73,962
Loss from discontinued operations, net of income taxes	(3,175)	-	-		(3,175)
Net income	53,363	11,048	6,376		70,787
Net income attributable to noncontrolling interest	(700)	-	-		(700)
Net income attributable to Mutual Holding Company	54,063	11,048	6,376		71,487

[1] Certain adjustments were made to the presentation of MTL's historical financial information to conform to Pan-American's presentation of interest expense

PRELIMINARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Quarter Ended March 31, 2015
(In Thousands)

	Pan-American	MTL[1]	Adjustments		Total
Revenues					
Net premiums earned	118,639	37,991	-		156,630
Contract charges	27,873	1,490	-		29,363
Net investment income	35,433	21,770	(4,034)	(a)	53,169
Net realized investment gains	619	815	-		1,434
Other income	1,815	924	-		2,739
Total revenues	184,379	62,990	(4,034)		243,335
Expenses					
Policyholder benefits and claims	90,439	38,926	(3,354)	(b)	126,011
Interest credited to policyholder account balances	15,186	2,761	-		17,947
Dividends to policyholders	1,865	1,786	-		3,651
Amortization of deferred policy acquisition costs and value of business acquired	4,111	5,312	(2,990)	(c)	6,433
Underwriting and other insurance operating expenses	58,394	8,362	-		66,756
Interest expense	969	600	-		1,569
Total benefits and expenses	170,964	57,747	(6,344)		222,367
Income from continuing operations before income taxes	13,415	5,243	2,310		20,968
Provision for income taxes	5,332	1,506	808	(d)	7,646
Net income	8,083	3,737	1,502		13,322
Net income attributable to noncontrolling interest	-	-	-		-
Net income attributable to Mutual Holding Company	8,083	3,737	1,502		13,322

[1] Certain adjustments were made to the presentation of MTL's historical financial information to conform to Pan-American's presentation of interest expense

NOTES TO PRELIMINARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Pro Forma Presentation

The preliminary unaudited pro forma condensed consolidated balance sheet as of December 31, 2014, the preliminary unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2014 and the preliminary unaudited pro forma condensed consolidated statement of income for the period ended March 31, 2015 are based on the historical financial statements of Pan-American and MTL after giving effect to the completion of the Mergers and the assumptions and adjustments described in the accompanying notes. It does not give consideration to the impact of revenue enhancements or potential lost business, expense efficiencies, synergies of the merger, integration costs, asset dispositions, or other actions that may result from the Mergers.

The transaction will be accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"), with Pan-American as the acquiring entity.

Under ASC 805, all of the MTL assets acquired and liabilities assumed in this business combination are recognized at their acquisition-date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. In a business combination between mutual entities where no consideration is transferred, goodwill is determined based on the amount by which MTL's fair value as an enterprise as a whole (see Note 2) exceeds the fair value of MTL's net assets acquired. Changes in deferred tax valuation and income tax uncertainties, if any, after the acquisition date will generally affect income tax expense. Subsequent to the completion of the Mergers, Pan-American and MTL will finalize an integration plan, which may affect how the assets acquired, including intangible assets, will be utilized by the Surviving Mutual Holding Company.

The preliminary unaudited pro forma information is presented solely for informational purposes and is not necessarily indicative of the consolidated results of operations or financial position that may have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the Surviving Mutual Holding Company.

Note 2 – Preliminary Purchase Price Consideration

On April 7, 2015, Pan-American and MTL entered into a definitive agreement pursuant to which MTL will be merged with and into Pan-American, with Pan-American continuing as the Surviving Mutual Holding Company. Immediately following the Merger, MTL Holdings, will be merged with and into PALIG, with PALIG being the surviving company in such Subsequent Merger. At the Effective Time, the rights and interests of each member of MTL will, by virtue of the Merger and without any action on the part of any MTL member, be converted into corresponding rights and interests in the Surviving Mutual Holding Company as a member of the Surviving Mutual Holding Company; and at the Effective Time, the rights and interests of each member of Pan-American will, by virtue of the Merger and without any action on the part of any

Pan-American member, remain as rights and interests as a member of the Surviving Mutual Holding Company.

Since there is no consideration transferred, the fair value of MTL as an enterprise as a whole (the “Enterprise Value”) will be used as a proxy for consideration. A fair value measurement of MTL’s Enterprise Value includes the assumptions that market participants would make about the value of future member benefits as well as any other relevant assumptions market participants would make about MTL. An estimated cash flow model is expected to be used to determine the Enterprise Value. As the cash flow model uses the same assumptions and a similar methodology to determine the fair value of net assets acquired, it is assumed that the Enterprise Value and the fair value of net assets acquired will not be materially different. As a result, no goodwill or gain from bargain purchase is assumed for the purposes of the pro forma financial statements.

Note 3 – Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments

The Pro Forma Financial Statements are not necessarily indicative of what the financial position and results from operations actually would have been had the Mergers been completed at the date indicated and includes adjustments which are preliminary and may be revised. Such revisions may result in material changes.

The following preliminary unaudited pro forma adjustments result from accounting for the Mergers, including the determination of fair value of assets, liabilities and commitments which Pan-American, as the acquiring entity for accounting purposes, will acquire and assume from MTL. The adjustments below include initial accounting policy conclusions on the treatment of MTL’s investments and the related realized and unrealized investment gains and losses among others. These conclusions are preliminary and may be subject to change following a full review of the MTL investment portfolio.

The descriptions related to the preliminary adjustments are as follows (dollars in thousands):

Balance Sheet – As of December 31, 2014

		Increase (decrease) as of December 31, 2014
Assets		
(a)	Mortgage loans on real estate	
	To reflect acquired mortgage loans at fair value	3,953
(b)	Short-term investments	
	To reflect estimated transaction costs to be paid by MTL	(5,000)
(c)	Other invested assets	
	To reflect acquired other invested assets at fair value	1,444
(d)	Cash and cash equivalents	
	To reflect estimated transaction costs to be paid by Pan-American	(5,000)
(e)	Deferred policy acquisition costs	
	To eliminate MTL's deferred policy acquisition costs asset	(120,570)
(f)	Value of business acquired	
	To record the fair value of MTL's insurance liabilities	65,799
Total adjustments to assets		**(59,374)**
Liabilities		
(g)	Future policy benefits	
	To record the fair value of MTL's insurance liabilities	37,264
	To record the policyholder dividend obligation	73,735
(h)	Debt	
	To record the fair value of MTL's debt	(188)
(i)	Other liabilities	
	To record the deferred tax related to the acquisition	(57,815)
	To record the tax effect on transaction costs paid by Pan-American and MTL	(3,500)
Total adjustments to liabilities		**49,496**
Equity		
(j)	Unappropriated members' equity	
	To adjust MTL's unappropriated members' equity to fair value	(71,633)
	To reflect estimated transaction costs to be paid by MTL	(3,250)
(k)	Retained earnings	
	To reflect estimated transaction costs to be paid by Pan-American	(3,250)
(l)	Accumulated other comprehensive income	
	To eliminate MTL's accumulated other comprehensive income	(30,737)
Total adjustments to equity		**(108,870)**

Statement of Income – Year Ended December 31, 2014

	Increase (decrease) for the year ended December 31, 2014
Revenue	
(a) Net investment income	
To eliminate previously recorded amortization of premium on fixed maturity securities	191
To record amortization of premium on fixed maturity securities subsequent to the acquisition	(7,033)
Total adjustments to revenue	**(6,842)**
Expenses	
(b) Policyholder benefits and claims	
To amortize the fair value adjustments made to MTL's insurance liabilities	(2,301)
To amortize the policyholder dividend obligation	(2,072)
(c) Amortization of deferred policy acquisition costs and value of business acquired	
To eliminate previously recorded amortization of deferred policy acquisition costs	(23,644)
To record amortization of policy acquisition costs deferred subsequent to the acquisition	3,841
To amortize the fair value adjustments made to MTL's insurance liabilities	7,525
Total adjustments to expenses	**(16,651)**
Income taxes	
(d) Adjustment to provision for income taxes	
To record income tax on pro forma adjustments	3,433
Total adjustments to net income	**6,376**

Statement of Income – Quarter Ended March 31, 2015

	Increase (decrease) for the quarter ended March 31, 2015
Revenue	
(a) Net investment income	
To eliminate previously recorded amortization of premium on fixed maturity securities	48
To record amortization of premium on fixed maturity securities subsequent to the acquisition	(4,082)
Total adjustments to revenue	**(4,034)**
Expenses	
(b) Policyholder benefits and claims	
To amortize the fair value adjustments made to MTL's insurance liabilities	(721)
To amortize the policyholder dividend obligation	(2,633)
(c) Amortization of deferred policy acquisition costs and value of business acquired	
To eliminate previously recorded amortization of deferred policy acquisition costs	(5,312)
To record amortization of policy acquisition costs deferred subsequent to the acquisition	638
To amortize the fair value adjustments made to MTL's insurance liabilities	1,684
Total adjustments to expenses	**(6,344)**
Income taxes	
(d) Adjustment to provision for income taxes	
To record income tax on pro forma adjustments	808
Total adjustments to net income	**1,502**

Estimated amortization charges relating to the fair value adjustments

The estimated useful lives of the identified finite-life intangible assets range from 2 to 27 years. The policyholder dividend obligation liability is amortized straight-line over 7 years. The following table shows the estimated annual pre-tax amortization expenses (income) of the fair value adjustments made to MTL's insurance liabilities for the first five years following the acquisition (dollars in thousands):

	Year following the acquisition[1]				
	1	**2**	**3**	**4**	**5**
Reduction in policyholder benefits and claims as a result of amortization of fair value adjustments made to MTL's insurance liabilities	(2,885)	(2,671)	(2,273)	(2,094)	(1,929)
Increase in amortization of deferred policy acquisition costs and value of business acquired as a result of amortization of fair value of MTL's insurance liabilities	6,735	5,753	5,066	4,564	4,145
Total increase in expenses	3,850	3,082	2,793	2,470	2,216

[1] Assumes an acquisition date of December 31, 2014

SPECIAL MEETING

Date, Time and Place

This Policyholder Information Booklet is being furnished to all persons who were MTL Members as of the close of business on September 30, 2015 in connection with the solicitation of proxies by MTL for use at the Special Meeting to be held on October 29, 2015, at 9:00 a.m., Central Time, at MTL's home office, 1200 Jorie Boulevard, Oak Brook, Illinois 60523. See "Notice of Special Meeting of Members to Vote on the Merger of MTL and Pan-American" which immediately follows the Introduction to this Policyholder Information Booklet.

Matters to be Considered

At the Special Meeting, MTL Members will be asked to consider and vote upon the following proposals (the "*Proposals*"):

To approve the Merger Agreement between MTL and Pan-American, pursuant to the provisions of Article X of the Illinois Insurance Code, 215 ILCS 5/Art. X, and the transactions contemplated thereby, including (i) the Merger and the Subsequent Merger, and (ii) the appointment of the Advisory Board as representative of the MTL Members and as true and lawful attorney-in-fact and agent for and on behalf of each MTL Member as provided for in the Merger Agreement, all as more fully described in this Policyholder Information Booklet.

Additionally, to approve the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the proposal related to the Merger Agreement.

Eligibility to Vote

Only those MTL Members who, on the basis of records of MTLIC, owned an MTLIC insurance policy or annuity contract and were thereby MTL Members as of the close of business on September 30, 2015, and meet other eligibility requirements under the Illinois Insurance Code, the Articles of Incorporation and the Amended and Restated Bylaws of MTL are eligible to vote at the Special Meeting. These eligibility requirements include the following:

- such MTL Member is the owner of an insurance policy; or
- such MTL Member is the owner of an annuity contract; and
- in either case, the insurance policy or annuity contract which gives rise to status as an MTL Member is in force.

Each MTL Member entitled to vote at the Special Meeting is entitled to cast one vote for each insurance policy or annuity contract owned or held by such MTL Member. In the case of group insurance master policies and group annuities, certificate holders under such group policies shall not be MTL Members unless otherwise provided by applicable law.

MTL is sending the notice and related informational materials to all persons who were MTL Members as of the close of business on September 30, 2015. Such informational materials are also posted on MTL's website at *www.mutualtrust.com*.

Vote Required

Each voting MTL Member is entitled to cast one vote for each insurance policy or annuity contract such voting MTL Member owns or holds. To approve the proposal related to the Merger Agreement, two-thirds of the votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal. Approval of such proposal by the requisite vote of the voting MTL Members is a condition to, and is required for, consummation of the Mergers.

For the adjournment proposal to be approved, at least a majority of the voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members must vote FOR such proposal.

Voting; Revocation of Proxies

You can vote on the Proposals in one of four ways:

- by mail by returning your proxy card to us in the postage-prepaid envelope as described above,
- by telephone by calling 866-221-8434,
- by the Internet at *www.proxypush.com/MTLFG* according to the instructions on the special proxy, or
- by casting your vote in person at the Special Meeting of MTL Members.

For more information on how to vote, please see the instructions on your special proxy card. We strongly urge you to vote. Your completed proxy card, telephone vote or Internet vote must be received by us by the time of the Special Meeting, to be counted or you may vote in person at the Special Meeting of MTL Members on October 29, 2015. You can change your vote by any of the same methods up to the same deadline.

For all voting MTL Members, a proxy exclusively for use at the Special Meeting (including any adjournments thereof) accompanies this Policyholder Information Booklet. The proxy serves as a ballot for MTL Members to vote **FOR** or **AGAINST** the Proposals. Voting MTL Members may use the proxy if they are unable to attend the Special Meeting in person or if they wish to vote by proxy even if they attend the Special Meeting. A proxy that is properly signed and received by Internet, mail or telephone by MTL prior to the time of the Special Meeting will be voted at the Special Meeting in accordance with the instructions thereon, unless properly revoked prior to such vote. In order to ensure that the proxy is received prior to the time of the Special Meeting, MTL encourages MTL Members to send proxies by 5:00 p.m., Central Time, on October 26, 2015. If a proxy is properly signed and received and the manner of voting is not indicated on the proxy, or is marked to vote both FOR and AGAINST the Proposals, such proxy will not be counted and will not be regarded as a vote cast at the Special Meeting. A proxy that is properly signed and received thereafter will be voted only if the Special Meeting is adjourned, and in that event, only if received at or prior to the adjourned Special Meeting. A replacement proxy may be obtained by writing MTL at 1200 Jorie Boulevard, Oak Brook, Illinois 60523, Attention: Proxy Request or calling the MTL Information Line at (800) 323-7320, extension 5060, Monday through Friday from 9:00 a.m. to 5:00 p.m., Central Time. A validly executed later dated proxy received prior to the Special Meeting will supersede a prior proxy.

Any proxy given in response to this solicitation may be revoked by the voting MTL Member at any time prior to the voting thereof at the Special Meeting by filing with the Secretary of MTL either a written revocation or a duly executed proxy bearing a later date. Attendance at the Special Meeting will not in and of itself constitute the revocation of a proxy.

Quorum

In accordance with the Illinois Insurance Code and the Amended and Restated Bylaws of MTL, 50 MTL Members present in person or by proxy at any special meeting shall constitute a quorum at the Special Meeting.

Certification of Votes

An officer of MTL, or its duly authorized representative, will certify to the Illinois Director the tabulation of votes of voting MTL Members in order to demonstrate whether the member approval requirement has been met with respect to the Merger Agreement (i.e., whether the Merger Agreement has been approved by the affirmative vote of at least two-thirds of votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting).

The following description of the Mergers, including the principal provisions of the Merger Agreement, is qualified by reference to other information contained in this Policyholder Information Booklet, including the Exhibits hereto and the documents incorporated herein by reference. In particular, the full text of the Merger Agreement, including the exhibits thereto, is attached to this Policyholder Information Booklet as Exhibit A, and MTL Members are encouraged to carefully read the Merger Agreement as it appears in Exhibit A in its entirety.

The MTL Board has unanimously approved and adopted the Merger Agreement. The Illinois Director completed her review and approved the Merger Agreement on September 29, 2015. The Illinois Director's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

BACKGROUND

Background of the Mergers

Mutual Trust Life Insurance Company (formerly known as Scandia Life Insurance Company) was formed in 1904 and operated as a mutual life insurance company until 1999, when it converted into a mutual insurance holding company structure. As a result of such conversion, MTL was formed as a mutual insurance holding company and Mutual Trust Life Insurance Company became MTL Insurance Company, a stock insurance company and subsidiary of MTL. Over the years, MTL has grown primarily through internal operations rather than through mergers and acquisitions.

According to Pan-American, the Board of Directors of Pan-American and the Board of Directors of PALIC, prior to and after Pan-American's conversion to a mutual insurance holding company structure in 2007, have considered, from time to time, strategic opportunities for Pan-American, including possible acquisitions, mergers, and capital raising activities. In this regard, Mr. José Suquet, Pan-American's Chairman, President and Chief Executive Officer, originally approached the management of MTL in 2005 and then again in 2009 to discuss potential business combination opportunities; however, such discussions did not progress at such times.

In May 2014, Mr. Stephen M. Batza, MTL's Chairman, President and Chief Executive Officer, was approached by Mr. Suquet about the possibility of a merger of the two companies. Mr. Batza expressed an interest in exploring a possible business combination, provided the interests of the MTLIC Policyholders would be advanced by such a transaction. In the course of discussions between the parties, it became apparent to MTL and Pan-American management that each company could potentially benefit from an alliance or business combination between them. Each company's respective management believed that the respective lines of business and primary target customer segments of the two companies were complementary and there were synergies that could be realized to the advantage of both companies. Although MTL had historically not been receptive to business combinations due, in part, to its commitment to preserving its mutual form of organization, management was aware of the insurance industry trend toward consolidation as a means of expanding product offerings, growing revenues and achieving operating efficiencies through economies of scale to improve profitability. MTL management believed that Pan-American presented a unique and compelling opportunity that was not likely to be present in other potential strategic partners due to the complementary lines of business of Pan-American and MTL, the strong surplus position of Pan-American, the relative strengths and compatibility of the two companies and their senior management and the companies' similar corporate cultures and values.

Also, in May 2014, MTL and Pan-American executed a confidentiality agreement and began exchanging information, which allowed both parties to consider further the desirability of a possible business combination transaction.

On June 30, 2014, senior executives from each company met and discussed, on a preliminary basis, the possibility of a business combination involving MTL and Pan-American. On August 21, 2014, at MTL's regularly scheduled quarterly Board of Directors meeting, MTL management gained approval of its recommendation to pursue additional discussions with Pan-American management.

Following the August 2014 meeting of the MTL Board, MTL and Pan-American exchanged information regarding process and strategic vision. During the same period, the terms of a 90-day exclusivity agreement were negotiated and an exclusivity agreement was entered into on September 3, 2014. The exclusivity agreement was subsequently extended.

Senior management of Pan-American and MTL continued to discuss the contours of a possible business combination. In the fall of 2014, senior executives of both companies met to discuss in more detail the possibilities for a strategic partnership, potential synergies and a structure for a business combination. In early November 2014, senior executives from Pan-American were invited to participate in a meeting of the Board of Directors of MTL, in order to share Pan-American's profile and strategy, which articulated the case for a business combination between Pan-American and MTL. The presentation stressed the opportunity for MTL to oversee the United States life business for a larger combined organization, supported by Pan-American's strong financial strength rating and capitalization.

Throughout November, December and early January, Pan-American and MTL and their respective advisors continued to explore a possible business combination and worked towards a common understanding of the guiding principles that would underlie any transaction. Over the course of these several months, MTL retained outside legal and financial advisors to assist the MTL Board in evaluating the merits of a possible business combination with Pan-American.

The MTL Board met five times between September 2014 and January 2015: on September 29, 2014, November 5, 2014, November 20, 2014, December 5, 2014 and January 8, 2015. The MTL Board was briefed on each occasion by Mr. Batza regarding discussions between MTL and Pan-American.

On December 5, 2015, the MTL Board held a special meeting to discuss with outside advisors the potential business combination with Pan-American. Outside counsel reviewed with the MTL Board the transaction structure, regulatory approvals, due diligence matters and other issues concerning the proposed transaction.

Mr. Batza then presented to the MTL Board the business case for a combination with Pan-American. Mr. Batza described, among other things, Pan-American's business and recent results of operations and the potential benefits of the proposed transaction. Mr. Batza then updated the

MTL Board on discussions with Pan-American and discussed the strategic rationale for a business combination with Pan-American. During the meeting, the MTL Board considered and assessed the benefits and risks of the proposed transaction for MTL, the MTL Members and the MTLIC Policyholders. Following such discussions, the MTL Board authorized management to continue to pursue discussions with Pan-American and to commence the formal due diligence process.

In addition, the MTL Board decided to form a transaction committee of the MTL Board to assist the full MTL Board in its evaluation of a possible business combination by, among other things, (i) investigating the proposed Mergers, (ii) negotiating on behalf of MTL with respect to the proposed Mergers and (iii) determining whether to recommend the proposed Mergers to the full MTL Board. The Transaction Committee was comprised of three members: Stephen M. Batza, Martha O. Hesse and Peter I. Mason.

The Transaction Committee and the MTL Board jointly outlined a set of key principles that MTL and Pan-American agreed would form a basis for a potential business combination, including the following:

- Pan-American would agree to a generally non-cancelable dividend policy for the benefit of MTL Members as of the date of the closing of the Mergers to protect and maintain policyholder dividend, benefit and other non-guaranteed policy element expectations of such existing MTL Members in accordance with historic practices and procedures and applicable law;

- For a five-year period following the completion of the Merger: (a) there will be no dividends or other similar distributions made by MTLIC to Pan-American or any of its affiliates and (b) Pan-American will covenant to at all times maintain MTLIC's risk-based capital ("*RBC*") level at a minimum of 400% of the company action level RBC;

- MTLIC would maintain an Advisory Board to advise and make recommendations to MTLIC and Pan-American's management with respect to the operations of MTLIC and to enforce any rights of the former MTL Members and MTLIC Policyholders under the Merger Agreement, any other transaction documents or MTL's Plan of Conversion;

- MTL would have significant representation on, but not control of, the Board of Directors of both Pan-American and the intermediate insurance holding company, with such directors initially serving for a minimum five-year term and given due consideration by the Nominating/Governance Committee of the Board of Directors of Pan-American for re-nomination thereafter;

- MTLIC's current management would continue in their current roles following the Effective Time and, subject to the oversight of Pan-American, would maintain responsibility for the day-to-day operation of MTLIC's business, and any subsequent changes at the CEO, Senior Vice President and Vice President levels of MTLIC would be subject to existing change in control agreements;

- MTLIC would maintain a home office in Illinois for at least five full calendar years following the Effective Time; and

- MTL's current senior management, subject to the oversight of Pan-American's management, would make all personnel decisions with respect to the ongoing operations of MTLIC.

After reaching agreement on such guiding key principles, the management of MTL and Pan-American began substantive negotiations regarding the terms of a potential merger agreement. A draft merger agreement reflecting the discussions to date between the parties was presented to the MTL Board prior to the February 19, 2015 meeting of the MTL Board. At the February 19 meeting, the MTL Board further evaluated the financial, operational and legal implications of entering into a transaction with Pan-American. At this meeting, Mr. Batza and MTL's outside advisors gave a comprehensive update of discussions with Pan-American, presented management's analysis of potential benefits and risks and reviewed preliminary due diligence findings. Following the February 19, 2015 meeting, the MTL Board authorized MTL management and the Transaction Committee to finalize a draft merger agreement for the MTL Board's consideration at the next meeting scheduled for April 2015.

From December 2014 through April 2015, representatives of MTL and Pan-American, together with their advisors, continued to develop the terms of a draft merger agreement and to discuss various issues relating to the proposed transaction, including corporate governance issues, the expected regulatory process, due diligence findings, financial strength ratings for the combined company and the formation of a dividend protection plan for the benefit of existing MTLIC Policyholders. In the first week of April, the management of each of MTL and Pan-American finalized the proposed merger agreement.

On April 1, 2015, the Transaction Committee convened to complete a comprehensive analysis of the financial, operational and legal implications of entering into a transaction with Pan-American. At this meeting, MTL's outside advisors gave a final update of due diligence findings, presented an analysis of the reasons for the Merger, gave a detailed summary of the post-Merger corporate governance structure and thoroughly reviewed the provisions of the Merger Agreement. Ultimately, the Transaction Committee unanimously recommended the approval of the Merger Agreement to the full MTL Board.

At a meeting of the MTL Board on April 6, 2015, MTL's management extensively reviewed and discussed with the MTL Board the potential financial and strategic benefits and risks of the proposed transaction for MTL, the MTL Members and the MTLIC Policyholders. Those potential benefits and risks are discussed herein under "Reasons for Mergers and Voting Considerations," at page 37. In addition, outside counsel reviewed in detail the terms and conditions of the Merger Agreement and the regulatory approvals required to consummate the proposed transaction, and MTL's outside actuarial advisor, Milliman, Inc. ("*Milliman*"), reviewed in detail the terms of the DPP. Finally, MTL's financial advisor, Keefe, Bruyette & Woods, Inc. ("*KBW*"), and MTL's tax and accounting advisor, Ernst & Young Global Limited, reviewed their respective due diligence findings. The April 6th meeting of the MTL Board was adjourned to allow for additional discussions with the parties' advisors with respect to due diligence matters. The MTL Board reconvened on April 7, 2015, at which time KBW delivered to the MTL Board an oral opinion, confirmed by delivery of a written opinion, dated April 7, 2015, to the effect that, subject to the assumptions, qualifications and limitations expressed in its opinion, as of such date, the exchange of the MTL Members' membership interests in MTL for membership interests in Pan-American, as the Surviving Mutual Holding Company following completion of the Merger, is fair, from a financial point of view, to the MTL Members. On April 7, 2015, Steven I. Schreiber and Dale S. Hagstrom of Milliman rendered an opinion to the MTL Board that, as of such date, subject to the assumptions, qualifications and limitations expressed in its opinion, the proposed Merger is fair to MTLIC's Policyholders from an actuarial point of view.

After full discussion and based on a review of then-current information and consultation with its advisors, the MTL Board unanimously approved the Merger Agreement and authorized management to execute and deliver the Merger Agreement. The parties executed the Merger Agreement on April 7, 2015.

The full text of the April 7, 2015 opinions of KBW and the actuarial consultants from Milliman appear in Exhibits B and C of the Exhibit Volume, respectively. The MTL Members are encouraged to review them, including the assumptions, qualifications and limitations expressed therein.

On April 8, 2015, the parties announced the execution of the Merger Agreement.

REASONS FOR MERGERS AND VOTING CONSIDERATIONS

The MTL Board believes that the proposed Mergers present the opportunity to capitalize on the relative strengths of MTLIC and Pan-American in terms of product offerings, distribution capacity, management expertise, financial resources and diversity of revenues and earnings. At the same time, each company will be able to retain its separate legal existence and a substantial presence in its respective state of domicile.

Potential Advantages of the Mergers

The MTL Board believes that the following are potential advantages anticipated to result from the Mergers:

- *Potential Financial Strength Rating Benefits.* PALIC has an A.M. Best financial strength rating of 'A' (Excellent), which is the third highest of A.M. Best's fifteen ratings. Being part of an organization with stronger combined financial resources and broader product offerings and distribution channels is anticipated to result in improvements in MTLIC's financial strength ratings after the Mergers. MTLIC is currently assigned a rating of 'A-' (Excellent), the fourth highest of A.M. Best's fifteen ratings, which is the highest rating MTLIC believes it can achieve given the size of the Mutual Trust Financial Group (the "*Mutual Trust Group*"). The MTL Board considered the potential for future rating benefits to MTLIC as a result of the Merger.

- *Access to Capital.* Pan-American had $3.3 billion in assets and $670 million in GAAP equity as of December 31, 2014. Being part of an organization with a larger capital base will (i) increase MTL's financial strength, (ii) allow MTL to react more quickly and effectively to changing market conditions, (iii) enable MTL to continue to provide competitive products and services to policyholders and (iv) support additional growth. Upon completion of the Mergers, Pan-American will have pro forma December 31, 2014 combined GAAP assets of approximately $5.4 billion and equity of approximately $850 million compared to GAAP assets of $2.2 billion and equity of $299 million for MTL as of March 31, 2015.

- *Strong Strategic Partner in Pan-American.* Pan-American has a strong presence in Latin America, with approximately 66% of Pan-American's premium coming from outside the U.S. Pan-American is looking to expand its U.S. operations, such that premium is split evenly between domestic and international business. Following the Mergers, MTLIC will become a critical component of Pan-American by leading its U.S. life insurance strategy. MTL and Pan-American plan to combine MTL's products and systems with Pan-American's experience serving Hispanic markets to create growth opportunities in the U.S. to further enhance economies of scale. Furthermore, the Mergers could result in meaningful synergies through reduced investment management expenses, capital efficiencies and enhanced capital strategies.

- *Preservation of Mutual Structure; Shared Vision.* The Mergers will allow MTLIC to remain part of a mutual insurance holding company structure following the Mergers. MTL believes that the continuation of its mutual heritage will help preserve its policyholder service orientation. In addition, MTL and Pan-American have a shared commitment to their constituent communities. Although there is no guarantee that Pan-American will remain a mutual insurance holding company in the long-term following the Mergers, under the Merger Agreement, Pan-American has represented that it has no current intention to demutualize and will reaffirm such statement as of the Effective Time.

- *Protections for MTLIC Policyholders*. The Merger Agreement includes a number of mechanisms intended to protect the interests of the existing MTL Members and MTLIC Policyholders, including the following:

  - MTL and Pan-American have agreed to the DPP, which will apply from and after the Effective Time to MTLIC Policyholders as of the closing and is designed to protect and maintain the reasonable dividend expectations of MTLIC Policyholders.

  - For a five-year period following the Effective Time, (a) there will be no dividends or other similar distributions made by MTLIC to Pan-American and (b) Pan-American will be required to cause MTLIC's RBC level at all times during such period to equal or exceed 400% of the company action level.

  - MTL and Pan-American have developed a mutually agreeable four-year operating plan documenting their current intent with respect to the post-closing U.S. life and annuity operations.

  - The boards of the Surviving Mutual Holding Company and PALIG, the surviving intermediate holding company following the Subsequent Merger, will include three of MTL's current directors, including Mr. Batza, the Chairman, President and Chief Executive Officer of MTL, and two of MTL's current independent directors.

  - The Advisory Board will be established to advise and make recommendations to Pan-American and MTLIC with respect to the business and operations of MTLIC. The Advisory Board will be third party beneficiaries of the Merger Agreement solely for purposes of having the full right to enforce the rights of the existing MTL Members (in their capacity as such) under specific provisions of the Merger Agreement. The Advisory Board will initially be comprised of all of MTL's current directors (other than those directors who will serve on the boards of the surviving entities following closing of the Mergers). The Advisory Board will be in place for at least seven years following the closing of the Merger, with automatic extensions for three additional years unless the board of the Surviving Mutual Holding Company approves its dissolution.

- *Maintenance of Identity*. Following the Mergers, MTLIC will maintain its existence within the Pan-American organization and will maintain its operations in Oak Brook, Illinois for at least five years following the closing of the Mergers. In addition, for a two-year period following the closing of the Mergers, no employees of MTL will be terminated, other than for cause or following a material deterioration of the financial condition of Pan-American and its subsidiaries (taken as a whole).

In addition to considering the factors outlined above, the MTL Board considered the suitability of Pan-American as a strategic partner in terms of compatibility of corporate cultures and values and other subjective criteria, including the continued influence of MTLIC in the affairs of Pan-American. The MTL Board believes that the following are also beneficial aspects of the Mergers:

- *Continued MTL Influence.* MTL will have a significant role in its own future and in the future of Pan-American due to the following:

    - *Pan-American Board Representation.* The initial twelve-member Pan-American Board will include three MTL designees, including Mr. Batza, MTL's current Chairman, President and Chief Executive Officer, and two of MTL's existing independent directors, and nine Pan-American designees, seven of whom will be independent, giving MTL a significant presence on, but not control of, the Pan-American Board. During the Five-Year Mandatory Period, the Advisory Board has the power to nominate a director to fill any vacancies of the three MTL designees on the Pan-American Board, which nominee's election shall be subject to the vote of a majority of the remaining directors of the Pan-American Board.

    - *CEO Continuity.* The MTL Board considered beneficial to MTL and its policyholders the fact that Mr. Batza, MTL's current Chairman, President and Chief Executive Officer, will be elected and appointed as President of the U.S. Domestic Life Operations of Pan-American, such election and appointment to occur as of the first regularly scheduled meeting of the Pan-American Board after the Effective Time.

Potential Disadvantages of the Mergers

The MTL Board also considered potential disadvantages and risks of the Mergers. Prior to voting, voting MTL Members should carefully consider the potential risks and disadvantages of the Mergers considered by the MTL Board, as discussed below.

- *No Distribution of Cash, Securities or other Monetary Value.* MTL is not demutualizing. Accordingly, MTL Members will not receive any distribution of cash, securities, policy credits or other monetary value at the time of the Mergers. In addition, after the Mergers, there can be no assurance that members of Pan-American will ever be paid a dividend or distribution in respect of their membership interest in Pan-American, unless and until Pan-American were to liquidate, dissolve or demutualize. There are no current plans or intentions to dissolve, liquidate or demutualize Pan-American in the future and, consequently, MTLIC Policyholders should not expect any dividends or distributions in respect of their Pan-American membership interests. Furthermore, if Pan-American were to demutualize in the future, only MTLIC Policyholders that are policyholders of MTLIC at that time (along with policyholders of PALIC) will be eligible to receive any distribution resulting from such demutualization. By contrast, if MTL were to demutualize at this time, MTLIC Policyholders would receive a distribution of common stock of the reorganized company, or cash, subscription rights, or policy credits or some other form of payment, in exchange for their membership interests in MTL.

- *Loss of Control.* Presently, MTLIC Policyholders elect all of the members of the MTL Board. After the Mergers, MTLIC Policyholders and future MTLIC Policyholders will comprise only a portion of the larger group of Pan-American Members, which will also include the existing and future policyholders of PALIC. Thus, the voting power of MTLIC Policyholders with respect to the election of directors of Pan-American and other matters requiring a vote of Pan-American Members will be shared with the existing and future policyholders of PALIC, who will also be Pan-American Members, resulting in substantial dilution in the voting power of MTLIC Policyholders from the 100% they currently have as to MTL. Furthermore, while MTL's current organizational documents provide MTL Members with one vote per policy or contract held, the organizational documents of the Surviving Mutual Holding Company provide for one vote per member, regardless of the number of policies or contracts held by such member. MTLIC Policyholders will initially be represented on the Pan-American Board by three designees who are current MTL directors on the twelve-member Board of Directors of Pan-American. Although the MTL designees, as directors of Pan-American, will have the right to exert significant influence over the strategic direction and operations of Pan-American and its subsidiaries, such MTL designees will not collectively have the voting power to control Pan-American and, therefore, its subsidiaries.

- *Costs of the Mergers.* Outside legal, financial, accounting, actuarial, printing, and other fees and expenses, including the fees and costs of experts hired by the Illinois Department of Insurance for which MTL is responsible, are anticipated to be significant and are estimated at approximately $5 million. A substantial portion of those costs have already been incurred. Other significant transactions would also involve significant costs.

- *Change in Regulation.* Following the Mergers, MTLIC, as an Illinois-domiciled stock life insurer, will continue to be regulated by the Illinois Department of Insurance; however, its ultimate parent company, Pan-American, is and will continue to be a Louisiana-domiciled company regulated by the Louisiana Department of Insurance. Although members of a mutual insurance holding company such as Pan-American are generally afforded as much protection under the Louisiana Insurance Code as they are under the Illinois Insurance Code, the two regulatory schemes are slightly different. MTL does not believe that these differences are material. See "Regulatory Matters - General," at page 83.

- *Potential Litigation.* Private parties, as well as state governments, may bring legal action under certain circumstances. Litigation can be both costly and time-consuming and could result in a diversion of effort and resources by management of MTL and Pan-American.

- *Potential Payments under Change in Control Severance Agreements.* The Mergers constitute a "change in control" of MTLIC and trigger a twenty-four month "protection period" for fifteen executives that have entered into Change in Control Severance Agreements with MTLIC. Pursuant to such agreements, each executive will be entitled to certain payments if his or her employment is terminated by MTLIC or its successor after the Mergers without cause or if he or she chooses to terminate his or her employment for "good reason" *(i.e.,* reduction in base salary, nonconsensual transfer of employment greater than 50 miles from the executive's current office, or reduction in title, job authorities or responsibilities that the executive reasonably considers important). If all fifteen executives became entitled to payment under these agreements, MTLIC would be obligated to pay a total of approximately $9.7 million in the aggregate to such persons. There are no present plans or intentions to terminate any of these executives after the Mergers, and it is believed to be unlikely that any such payments will be made.

- *Failure to Realize Anticipated Benefits.* There can be no assurance that the anticipated advantages of the Mergers described above will be realized. In particular, there can be no assurances that the financial strength ratings, revenue, growth or profitability of Pan-American or MTLIC will improve following the Mergers. These advantages could fail to be achieved for a variety of reasons; for example, Pan-American's operating strategies or those of its subsidiaries may not lead to improved revenue growth and profitability, or the operations of MTLIC and Pan-American may not be integrated as effectively, or as promptly, as anticipated. The success of Pan-American will also depend in large part upon the skill and judgment of Pan-American's senior management, which will be comprised of certain of the current senior officers of Pan-American and Mr. Batza, the current Chairman, President and Chief Executive Officer of MTL. The two companies will seek to assign their respective senior executives to the areas in which their particular expertise can be best utilized, but there can be no assurances that the efforts of such executives will be successful. If Pan-American is not successful in realizing the anticipated benefits of the Mergers, it is possible that MTL could become less profitable than it has been historically, which could adversely affect both its ability to compete and the interests of the MTLIC Policyholders. There can be no assurances that, after the Mergers, Pan-American will be able to sustain the current levels on its profitability, or improve on, the profitability of Pan-American and its subsidiaries.

CONSIDERATION OF ALTERNATIVES

Before adopting the Merger Agreement, the MTL Board considered and weighed the potential advantages and disadvantages of the Mergers as compared with the potential advantages and disadvantages of remaining an independent mutual insurance holding company. A discussion of the potential advantages and disadvantages of this alternative as compared to the Mergers follows below.

Remaining Independent

The MTL Board compared and weighed the advantages and disadvantages of the Mergers with those of remaining an independent mutual insurance holding company. The MTL Board concluded that the potential advantages of the Mergers (after taking its disadvantages into account) outweighed the potential advantages of remaining an independent mutual insurance holding company.

Potential Advantages

The possible advantages and disadvantages of the Mergers are discussed herein under "Reasons for Mergers and Voting Considerations." The possible advantages of remaining an independent mutual insurance holding company include the following:

- *Control Over the MTL Board Retained.* MTL Members would retain the ability to elect the entire MTL Board.

- *Distributions Upon Potential Future Demutualization.* MTL Members would retain the sole ownership of MTL and, accordingly, in the event of a demutualization of MTL in the future, be entitled to all of the value of MTL then distributable to its policyholders. Even though the MTL Members would be entitled to all of the value of MTL upon such a demutualization, such amount may be less than the amount they would be entitled to upon the potential future demutualization of the Surviving Mutual Holding Company.

- *Future Transactions.* Under its current structure, MTL would preserve its ability to pursue a merger with another mutual insurance holding company in the future and to pursue a stand-alone demutualization.

- *Mutuality Preserved.* A mutual insurance holding company culture among employees, agents and MTL Members may be important to MTL Members who believe that this culture generates value for them.

Potential Disadvantages

The possible disadvantages of remaining an independent mutual insurance holding company and not merging with Pan-American include the following:

- *Potential Advantages Not Realized.* The potential advantages of the Mergers, which the MTL Board believes are significant, would not be realized at this time.

- *Consolidation in the Life Insurance Industry*. The life insurance industry in which MTL operates has experienced significant consolidation. MTL is smaller than many of its competitors. The advantages of size and scale in the life insurance industry include greater ability to access capital and greater economies of scale (spreading costs over a larger revenue base), particularly with respect to systems, back office expenditures, investments and new product development. The Mergers will enable MTL to realize some of these benefits by being part of a larger combined organization.

- *Challenges MTL Faces as an Independent Company*. The MTL Board considered the challenges associated with being a smaller company in the life insurance industry, including potential risks, uncertainties and growth prospects for MTL going forward as an independent entity. In doing so, the MTL Board considered the following:

    - The potential impact on MTL's overall financial strength in the event of another financial crisis or other severe economic downtown, and the likelihood that, if such an event occurs, MTL's ability to raise cost-efficient capital will be significantly constrained; and

    - MTLIC's 'A-' (Excellent) A.M. Best rating is an important factor in MTLIC's business strategy and, in the recent past, MTLIC's A.M. Best rating has been on watch with negative implications. An economic event that could potentially result in a ratings downgrade could have a severe adverse impact on MTLIC's business.

RECOMMENDATION OF THE MTL BOARD OF DIRECTORS AND THE MTL TRANSACTION COMMITTEE

The MTL Board formed the MTL Transaction Committee to, among other things, investigate the proposed Mergers and to determine whether to recommend the Merger Agreement and the consummation of the Mergers to the MTL Board. The MTL Transaction Committee unanimously recommended the Merger Agreement and the consummation of the Mergers to the MTL Board.

Based upon the factors discussed above in "Background," "Reasons for Mergers and Voting Considerations" and upon extensive discussions with the MTL Transaction Committee, MTL's management, legal counsel, financial advisors and actuarial consultants, the MTL Board has determined that the Merger Agreement is fair to and in the best interests of MTL, the MTL Members and the MTLIC Policyholders and approved and adopted the Merger Agreement and the transactions contemplated thereby. **Consequently, the MTL Board unanimously recommends that the MTL Members vote "FOR" the proposal related to the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies.**

Fairness Opinion of Financial Advisor to MTL

In December 2014, MTL engaged KBW as financial advisor to assist MTL in connection with its consideration of the Merger. On April 7, 2015, the date on which the MTL Board approved the Merger Agreement, KBW delivered to the MTL Board an oral opinion, confirmed by delivery of a written opinion, dated April 7, 2015 (the "*Opinion*"), to the effect that, subject to the assumptions, qualifications and limitations expressed in the Opinion, as of such date, the exchange of the MTL Members' membership interests in MTL for membership interests in Pan-American, as the Surviving Mutual Holding Company following completion of the Merger, is fair, from a financial point of view, to the MTL Members.

KBW analyzed the exchange of membership rights of MTL for membership rights of Pan-American in connection with the Mergers with regard to two considerations: (i) the right of MTLIC Policyholders to receive payment of valid claims and to receive dividends on certain participating policies ("*Policyholder Payment and Dividend Rights*"), and (ii) the corporate governance rights and rights of MTL Members to surplus in the event of a conversion or dissolution of MTLIC ("*Member Rights*").

With respect to Policyholder Payment and Dividend Rights, KBW determined that the financial strength of MTL and its subsidiaries will be enhanced by the Mergers, given that the Surviving Mutual Holding Company will have larger surplus, improved access to capital, a higher A.M. Best Financial Strength Rating and Financial Size Category, potential for cost savings and revenue enhancements, a broader product portfolio and that Pan-American is obligated, pursuant to the Merger Agreement, to maintain a 400% company action level RBC ratio at MTLIC and not to take a stockholder dividend (or similar distribution) from MTLIC for five years. In addition, the DPP, which protects the rights of existing MTLIC Policyholders with participating policies to continue to receive policy dividends on a basis consistent with their rights prior to the Mergers, does not disadvantage existing MTLIC Policyholders with participating policies.

With respect to Member Rights, KBW determined that the treatment of MTL Members in the Mergers is broadly consistent with the treatment of mutual holding company members in other mutual holding company to mutual holding company mergers in the life and property-casualty sectors since 1998, particularly insofar as KBW found no transactions where there was consideration paid to members in conjunction with a mutual holding company to mutual holding company merger. In addition, KBW determined that the membership rights in the Surviving Mutual Holding Company are comparable with the membership rights in MTL. There will be no change to existing MTLIC policies and terms, and membership interests will transfer from MTL to Pan-American. MTL Members will continue to maintain similar corporate governance rights with regard to voting, board representation, amendments to articles and bylaws and rights upon liquidation or demutualization. MTL Members will also gain the advantage of the Advisory Board, which will have the ability to enforce the rights of existing MTL Members under certain provisions of the Merger Agreement, particularly with respect to capital support, the DPP and any potential future demutualization.

The full text of the Opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by KBW. The Opinion appears in Exhibit B of the Exhibit Volume and is incorporated by reference herein. The Opinion was provided for the use and benefit of the MTL Board in its consideration of the exchange of the MTL members' membership interests in MTL for membership interests in Pan-American, and did not address the relative merits of the transactions contemplated by the Merger Agreement as compared to any alternative transaction or opportunity that might be available to MTL, nor did it address the underlying business decision by MTL to engage in the Merger or the terms of the Merger Agreement (other than the exchange of MTL Members' membership interests in MTL for membership interests in Pan-American) or the documents referred to therein. The Opinion does not constitute a recommendation as to how any MTL Member should vote in connection with the Merger or any matter related thereto. The following summary is qualified in its entirety by reference to the full text of the Opinion. MTL Members are urged to read the entire Opinion carefully in connection with their consideration of the proposal related to the Merger Agreement.

In connection with the Opinion, KBW reviewed, analyzed and relied upon material bearing upon the financial and operating condition of MTL and Pan-American and the Merger, including (i) a draft of the Merger Agreement dated April 2, 2015; (ii) annual audited GAAP financial statements for each of the years ended December 31, 2013, 2012 and 2011 for MTL and Pan-American; (iii) annual audited statutory financial statements for each of the years ended December 31, 2013, 2012 and 2011 for MTL and PALIC; (iv) certain information furnished to KBW by MTL and Pan-American, including financial forecasts and analyses and interim financial reports relating to the business, operations, and prospects of Pan-American; (v) certain publicly available financial and other information about MTL and Pan-American; (vi) the DPP for existing MTLIC Policyholders; and (vii) the potential pro forma impact of the Merger. KBW also performed such studies and analyses as it considered appropriate and has taken into account its assessment of general economic, market and financial conditions and KBW's experience in other transactions, as well as KBW's experience in securities valuation and knowledge in the insurance industry generally. KBW has also held discussions with senior management of MTL and Pan-American regarding the past and current business operations, regulatory relations, financial condition and future prospects of their respective companies and such other matters as KBW has deemed relevant to its inquiry. KBW has not been requested to, and has not, assisted MTL with soliciting indications of interest from third parties other than Pan-American regarding a potential transaction with MTL.

The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analysis and the applications of those methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. KBW believes that its analyses must be considered as a whole. Considering any portion of KBW's analyses or the factors considered by KBW, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusion expressed in the Opinion. Accordingly, the conclusions reached by KBW are based on all analyses and factors taken as a whole and also on the application of KBW's own experience and judgment.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond MTL's, Pan-American's and KBW's control. The analyses performed by KBW are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. The analyses performed were prepared solely as part of KBW's analysis of the fairness, from a financial point of view, of the exchange of the MTL Members' membership interests in MTL for membership interests in Pan-American, to the MTL Members.

KBW's opinion was one of many factors taken into consideration by the MTL Board in making its determination to approve the Merger Agreement and should not be considered determinative of the views of MTL's Board or management with respect to the Merger or the exchange of the MTL Members' membership interests in MTL for membership interests in Pan-American provided for in the Merger Agreement.

KBW will be paid a fee for its services. In December 2014, a non-refundable retainer fee of $100,000 was paid to KBW. In addition, concurrent with the rendering of the Opinion, KBW was paid an opinion fee of $350,000. Lastly, upon closing of the Merger, KBW will be paid a contingent fee of $2,000,000. The contingent fee will not be payable if the Mergers are not consummated. The retainer fee and the opinion fee will be credited against the contingent fee in full.

Fairness Opinion of Actuarial Consultants to MTL

On April 7, 2015, Steven I. Schreiber and Dale S. Hagstrom of Milliman rendered an opinion to the MTL Board that, as of such date, subject to the assumptions, qualifications and limitations expressed in the actuarial opinion letter, the proposed Merger is fair to MTLIC's Policyholders from an actuarial point of view.

Steven I. Schreiber and Dale S. Hagstrom are both Principals and Consulting Actuaries with Milliman, a leading global actuarial consulting firm. Mr. Schreiber has worked for Milliman for

29 years, and Mr. Hagstrom has worked for Milliman for 35 years. Mr. Schreiber and Mr. Hagstrom have advised many companies on mutual company restructurings, including mutual insurance holding company and mutual insurance company mergers, mutual insurance holding company conversions, and demutualizations, as well as on a range of other matters. Both are Members of the American Academy of Actuaries, qualified under its Qualification Standards to render the opinion provided to the MTL Board.

The actuarial opinion letter addresses the question of whether or not the proposed Merger is fair to MTLIC's Policyholders from an actuarial point of view. The actuarial opinion letter states that there is no specific set of criteria by which actuarial fairness to policyholders is judged in a transaction such as that contemplated by the proposed Merger. However, the actuarial opinion letter further states that, in the professional judgment of the actuarial consultants, the appropriate criteria for making an assessment as to the actuarial fairness to MTLIC's Policyholders in this instance are the following:

> <u>Question 1</u>: Will the MTLIC Policyholders be part of an entity that is at least as strong financially (and hence at least as able to fulfill its guaranteed commitments to policyholders) as is MTLIC today?
>
> <u>Question 2</u>: Do the arrangements between the parties provide for the continued reasonable financial treatment of the MTLIC Policyholders?

Based upon the analysis set forth in their actuarial opinion letter, the actuarial consultants concluded that the answer to each of the above questions was "yes" and, therefore, that the Merger is fair to MTLIC's Policyholders from an actuarial point of view.

The opinion of Steven I. Schreiber and Dale S. Hagstrom of Milliman was one of many factors taken into consideration by the MTL Board in making its determination to approve the Merger Agreement and should not be considered determinative of the views of MTL's Board or management with respect to the Merger.

The complete actuarial opinion letter is included as Exhibit C of the Exhibit Volume and is incorporated by reference herein.

A team of Milliman consultants, separate and independent from the team that represented MTL, represented Pan-American with respect to the Mergers.

Tax Opinion of Legal Advisor to MTL

As a condition to closing, Sidley Austin LLP ("*Sidley*") will render an opinion to MTL that each of the Merger and the Subsequent Merger, as described in the Merger Agreement, and subject to the representations made to Sidley by (i) MTL, (ii) Pan-American, (iii) MTL Holdings and (iv) PALIG, will qualify for treatment as a "reorganization" for U.S. federal income tax purposes. In rendering such opinion, Sidley may receive and rely upon representations contained in certificates of MTL, Pan-American and others.

THE MERGERS

The Merger Agreement contemplates that MTL will merge with and into Pan-American, with Pan-American being the surviving company in the Merger. Immediately thereafter, MTL Holdings and PALIG will consummate a subsequent merger whereby MTL Holdings will be merged with and into PALIG, with PALIG being the surviving company in the Subsequent Merger, all pursuant to the Merger Agreement. The Merger Agreement provides that, at the Effective Time, membership interests in MTL will be converted into membership interests in Pan-American by virtue of the Merger, without any action on the part of any MTL Member. Future MTLIC Policyholders, like future policyholders of PALIC, will immediately become members of Pan-American upon issuance of an eligible policy. No other payment, such as cash, stock, or enhanced policy benefits, will be distributed to MTLIC Policyholders in connection with the Mergers. In connection with the Mergers, MTLIC will change its name to Mutual Trust Life Insurance Company. Following the Mergers, MTLIC will operate as a stock insurance company subsidiary of Pan-American and will continue to be responsible for obligations owed to MTLIC Policyholders under MTLIC policies.

The following discussion highlights certain factors that MTL Members should take into account in determining how to vote with respect to the proposal related to the Merger Agreement.

Impact on Your Membership Interests

General

Prior to the Merger, MTLIC Policyholders, as MTL Members, have both contract rights under their insurance policies or annuity contracts and all of the membership interests in MTL. The principal right of MTLIC Policyholders as insureds is the right to receive the type and amount of benefits specified in their policies or contracts in accordance with the terms and provisions thereof, including the right to receive policy dividends if, when and as declared by the MTL Board in accordance with the terms and provisions of such policies. The principal rights of MTLIC Policyholders as members include the right to vote on certain matters involving MTL (assuming the MTLIC Policyholder is a voting MTL Member; see "Special Meeting — Eligibility to Vote," at page 29) and the right to receive distributions from MTL in the event of the ultimate dissolution or liquidation of MTL. In addition, MTLIC Policyholders as members have the right to receive subscription rights, stock, cash or policy credits, or other consideration, upon a demutualization.

Under the proposed Merger, at the Effective Time and by operation of law, MTLIC Policyholders' membership interests in MTL automatically will become membership interests in Pan-American, and membership interests in MTL will be extinguished. MTLIC Policyholders owning policies in force at the Effective Time will have their membership interests in MTL replaced by membership interests in Pan-American and will remain members of Pan-American for as long as their MTL policies remain in force. Each person who becomes a MTLIC Policyholder after the Effective Time will automatically become a member of Pan-American and will have membership interests in Pan-American as long as a qualifying MTLIC policy owned by the member remains in force. Separate certificates evidencing the membership interests in

Pan-American will not be issued. Members of MTL before the Merger and members of Pan-American after the Merger will not receive shares of stock, cash, subscription rights, policy credits or other consideration or payment of any other kind attributable to the Merger (other than the Pan-American membership interest). Contract rights will remain with MTLIC.

Membership interests in MTL prior to the Merger are not separately transferable from the underlying policies. A member of Pan-American will also not be able to transfer such membership interest in Pan-American (or any right arising from such membership) except in conjunction with permitted transfers of the underlying policy which creates such membership interest in Pan-American (the "*Related Policy*"). A membership interest in Pan-American will automatically terminate upon the lapse or termination of the Related Policy or upon the transfer of ownership, absolute assignment or other divestiture of the member's rights in the Related Policy. No member of Pan-American will be personally liable, as a member, for the debts, liabilities or obligations of Pan-American or subject to assessments of any kind related thereto.

The Merger would not preclude a subsequent demutualization of Pan-American at some future date, if the Pan-American Board were to determine that such a course of action is appropriate and Pan-American Members (including members who were previously members of MTL), the Louisiana Commissioner of Insurance (the "*Louisiana Commissioner*") and other applicable regulatory authorities approve it. In the event that Pan-American is converted to a shareholder-owned company in a demutualization completed pursuant to a plan approved by its Board of Directors, members and the Louisiana Commissioner, policyholder membership interests would be extinguished and each member of Pan-American (including members who were previously members of MTL) would receive payment therefor in the form of cash, policy credits, subscription rights, shares of capital stock of the resulting entity or some other form of consideration in an amount and form to be determined in accordance with the demutualization plan as it is then adopted. Although there is no guarantee that Pan-American will remain a mutual insurance holding company in the long-term following the Mergers, under the Merger Agreement, Pan-American has represented that it has no current intention to demutualize and will reaffirm such statement as of the Effective Time. Pursuant to the Merger Agreement, if, after the Merger is consummated, Pan-American should seek to engage in a demutualization, Pan-American has agreed to provide all of its members at that time (including those members who were previously members of MTL) with fair and equitable treatment under a plan of demutualization with any distributable amount to be developed on a consistent basis for all members of Pan-American.

Effect of an Offering of Stock by PALIG

MTLIC will remain part of a mutual insurance holding company structure following the Mergers. Currently, MTL Holdings has the ability, subject to market conditions, to issue new shares of capital stock or securities convertible into common stock or debt securities to the public or other third parties, subject to the requirement that MTL Holdings must retain a majority of the voting securities of MTLIC. Following the Mergers, depending upon market conditions, PALIG may be able to sell new shares of capital stock or securities convertible into common stock or debt securities to the public or other third parties, provided that, at all times, Pan-American will be required to approve the sale of any shares of PALIG stock by PALIG and provided further that Pan-American is required by law to retain a majority of the voting securities of PALIG. The consent or approval of the Pan-American Members, either in their capacity as such or as policyholders, is not required for the sale of shares of PALIG stock. Pan-American will also indirectly control MTLIC through the ownership of a majority of PALIG's voting securities.

If PALIG were to issue shares of its common stock or other equity securities in the future, it would do so for value and the proceeds of such issuance would be used for the corporate purposes of PALIG, including potentially providing capital to its insurance subsidiaries. PALIG's subsidiaries, however, could not compel PALIG to contribute such proceeds to their capital. The issuance by PALIG of common stock or other equity securities would reduce the ownership level of Pan-American (and, therefore, Pan-American Members) in PALIG. This reduced ownership level would have the effect of reducing the total voting power and economic interest of Pan-American (and, therefore, the voting power and economic interest of the Pan-American Members) in PALIG.

Any dividends payable by PALIG or MTLIC in the future with respect to their shares of capital stock, will be subject to determination and declaration by their respective Boards of Directors and to applicable regulatory constraints. It is anticipated that the principal factors affecting any such determination and declaration will include, among others, the respective companies' current financial condition and results of operations, tax considerations, dividend policies of comparable companies and economic conditions. MTLIC Policyholders will not be stockholders of MTLIC or PALIG by reason of the Mergers and, therefore, are not anticipated to receive any dividends if either pays such dividends in the future. As a holder of common stock of PALIG, Pan-American would receive its share of any dividends paid by PALIG in respect of its outstanding shares of common stock. Pan-American, however, would not be required to declare and pay any such dividends to its members, and if it did determine to do so, prior regulatory approval would be required in advance of such payment. In addition, PALIG could issue a class of preferred shares that would be entitled to periodic dividends that would not be payable to holders of PALIG common stock such as Pan-American.

Finally, if PALIG were to issue shares of stock in the future, Pan-American's investment in PALIG could be diluted from an accounting standpoint. Initially, after the Mergers, the shares of stock of PALIG that are owned by Pan-American will have a book value equal to the capital and surplus of PALIG after the Mergers. A market value for the shares of PALIG will not be established unless and until shares are sold to the public or to other third parties. The sale of stock in PALIG to the public or to other third parties could have the effect of diluting or enhancing, from an accounting standpoint, the book value of the shares of PALIG held by Pan-American. If shares of stock of PALIG are sold to the public or to other third parties at any time (initially or subsequently) at a per-share price less than the book value of such shares, the additional capital raised for PALIG will be less, in book value terms, than the proportionate number of shares acquired by the public shareholders, and the book value of shares owned by Pan-American would be diluted. By the same token, if shares of stock of PALIG are sold to the public or to other third parties at any time (initially or subsequently) at a per-share price greater than book value, the additional capital raised for PALIG will be greater, in book value terms, than the proportionate number of shares acquired by the public or other third-party shareholders, and the book value of shares owned by Pan-American would be enhanced. There can be no assurance that the market value of shares sold at any time will be equal to or greater than book value. In the event of a later demutualization of Pan-American, the market value at that time of the shares of stock of PALIG owned by Pan-American would likely be the measure of the total value available for distribution to eligible policyholders. A demutualization of Pan-American is not presently contemplated. If a demutualization never occurs, or until such time as it does occur, the value of the shares of stock of PALIG held by Pan-American will not translate into a direct economic benefit to policyholders.

No Impact on your Policy

The terms and provisions of the policies held by MTLIC Policyholders will not be changed as a result of the Mergers. In addition, the Mergers will not result in any reduction or alteration in any way of any of the guaranteed benefits and values, and the contractual rights of MTLIC Policyholders, as described in their policies, nor will the Mergers cause the premiums required to be paid as specified in the policies to be increased or otherwise changed.

Impact on your Policy Dividends

MTLIC's dividend practices will not be changed adversely by reason of the Mergers, although, as always, policy dividends may vary from year to year and future changes in policy dividend practices may occur in response to future events or circumstances. However, holders of certain dividend-paying policies issued by MTLIC will have the protection of the DPP, as described herein.

Change in Control Severance Agreements

MTLIC has entered into Executive Change in Control Severance Agreements ("*Change in Control Agreements*") with fifteen "key officers," effective January 7, 2015, to assure the continued dedication and availability of such executives in the event of a "change in control" of MTLIC. Such fifteen "key officers" include: Stephen M. Batza, Geri L. Gaughan, G. Edward Hughes, Alfreda A. Jacob, John D. Rosenkranz, Narayan S. Shankar, Roger L. Barth, Delores J. Biegun, Luke Cosme, Margaret Culkeen, Timothy Diggs, Rod Gross, Everett Kunzelman, David McCaughey and Stacy McWhorter.

Pursuant to such agreements, the Mergers will constitute a change in control of MTLIC and will trigger a twenty-four month "protection period" for each of the fifteen executives. If the executive's employment is terminated during the protection period either by MTLIC without "cause" (*e.g.*, willful engagement in dishonest conduct, willful violation of restrictive covenants involving confidentiality, or commission of a felony) or by the executive for "good reason" (*i.e.*, reduction in base salary, nonconsensual transfer of employment greater than 50 miles from the executive's current office, or reduction in title, job authorities or responsibilities that the executive reasonably considers important), the executive will be entitled to (in addition to salary, bonus and benefits accrued prior to termination): (a) a cash severance payment of either one and one-half or two times the sum of (i) the executive's highest base salary in effect during any period of twelve consecutive months within the immediately preceding twenty-four months and (ii) the target annual bonus for the fiscal year in which the executive's termination of employment occurs, (b) a maximum of eighteen months of subsidized "welfare benefits," including health insurance and dental insurance, at active rates, (c) one year of executive-level outplacement services, and (d) in the case of certain executives, an amount equal to all then outstanding long-term incentive awards at 100% of the target, reduced pro rata for each full plan year not completed as of the date of termination.

It is not anticipated that any of the key officers will waive their respective rights under the Change in Control Agreements. If all fifteen executives that have entered into such agreements were to become entitled to payments by reason of such executives having been terminated by MTLIC after the Merger without cause or by the executive with good reason, MTLIC would be obligated to pay a total of approximately $9.7 million in the aggregate to such persons.

Comparison of MTL Members' Rights Before and After the Merger

The following table provides a brief description of the effects the Merger will have on the membership interests of MTL Members.

Rights	Before the Merger	After the Merger
Membership	Each member remains a member so long as at least one insurance or annuity contract which gives rise to such person's status as a member remains in-force.	Each MTL Member immediately prior to the Merger (i) will be a member of the Surviving Mutual Holding Company and will remain a member so long as at least one policy or contract which gave rise to such member's status as an MTL Member remains in-force, and (ii) will have all rights conferred on members of the Surviving Mutual Holding Company. Each new MTLIC Policyholder following the Merger will automatically become a member of the Surviving Mutual Holding Company.
Voting Rights	Each member has one vote for each MTLIC policy or contract such member owns.	Each member will be entitled to one vote (regardless of how many policies such member owns).
Quorum	50 members present in person or by proxy at an annual or special meeting of members constitutes a quorum.	Except as otherwise required by applicable law, those members entitled to vote who are present in person or by proxy at a meeting of the members will constitute a quorum for the transaction of business.
Amendment to Governing Documents	Amendments to the articles of incorporation require the affirmative vote of two-thirds of members voting in person or by proxy. The bylaws may be amended or altered by: (a) the Board of Directors of the MTL or (b) a majority vote of the members.	The Surviving Mutual Holding Company expressly reserves the right to amend, alter, change or repeal its articles of incorporation or any provision therein, from time to time in such manner and for such purposes as may at the time be permitted by law; provided, that the Surviving Mutual Holding Company may not, at any time, amend, alter, change or repeal a certain provision designed to protect the membership interests of those members that were MTL Members

Rights	Before the Merger	After the Merger
		immediately prior to the Effective Time, other than in connection with a demutualization or other transaction pursuant to which the Surviving Mutual Holding Company would not survive or would not survive as a mutual insurance holding company. Any adoption, amendment or repeal of the bylaws must be submitted in writing at a stated meeting of the Pan-American Board of Directors, to be considered only at the next succeeding meeting, and may be adopted upon the vote of two-thirds of all the directors; provided, that notwithstanding the foregoing, until the end of the Five-Year Mandatory Period, certain provisions of the bylaws related to the composition of the board may not be superseded, amended or repealed in a manner that is adverse to the MTL directors without the affirmative vote of at least a majority of the members of the Advisory Board.
Liquidation Rights	At the time of any dissolution, liquidation or winding up of MTL, any surplus of cash or property of MTL remaining after payment of all liabilities of MTL would be distributed to the members, in such proportions and in such manner as may be approved by the Illinois Director or by a court of competent jurisdiction.	In the event of the dissolution or liquidation of the Surviving Mutual Holding Company, the surplus of cash or property of the Surviving Mutual Holding Company remaining after payment of all liabilities of the Surviving Mutual Holding Company will be distributed to the members at the time of such dissolution or liquidation in the same manner and in the same proportions as may be approved by the Louisiana Insurance Commissioner or by a court of competent jurisdiction.
Demutualization	Under Illinois law, demutualization must be approved by at least two-thirds of votes cast by eligible members in person or by proxy. Each	Under Louisiana law, demutualization must be approved by at least two-thirds of qualified voters voting in person or by proxy. Louisiana law

Rights	Before the Merger	After the Merger
	eligible member is entitled to receive, without payment, nontransferable subscription rights to purchase a portion of the capital stock of the converted stock company. Holders of participating policies in effect on the date of conversion continue to have the right to receive dividends as provided in the participating policies, if any. Alternatively, the board of directors may adopt a plan that does not rely in whole or in part upon the issuance to members of non-transferable subscription rights if the Illinois Director finds that the plan does not prejudice the interests of the members, is fair and equitable, and is based upon an independent appraisal of the market value of the mutual company by a qualified person and a fair and equitable allocation of any consideration to be given eligible members.	does not provide for subscription rights style demutualization. Each eligible member is entitled to consideration in an amount equal to his or its equitable share of the value of the reorganizing mutual as provided for in the plan or reorganization, which may consist of cash, stock of the reorganized company or its parent corporation, additional life insurance and annuity benefits, or other forms of consideration acceptable to the commissioner. The plan of reorganization must provide for the protection of reasonable dividend expectations of policyholders.

CORPORATE GOVERNANCE OF PAN-AMERICAN AND SUBSIDIARIES

General

In the Merger Agreement, MTL and Pan-American agreed to certain matters relating to the composition of the boards of directors of the Surviving Mutual Holding Company, the Intermediate Holding Company, PALIC and MTLIC and the creation of the Advisory Board. If the Merger is not consummated, these corporate governance provisions will not become effective.

Surviving Mutual Holding Company Board of Directors and Intermediate Holding Company Board of Directors

The Merger Agreement provides that from and after the Effective Time, the number of persons constituting the entire Boards of Directors of the Surviving Mutual Holding Company and the Intermediate Holding Company each will initially be twelve (12) consisting of nine (9) Pan-American designees, consisting of the current members of the Board of Directors of Pan-American and three (3) MTL designees, initially consisting of Stephen M. Batza, Martha Hesse and Daniel Mulheran. In accordance with the By-laws of the Surviving Mutual Holding Company, if, prior to the fifth anniversary of the Effective Time but not thereafter, any MTL Director ceases to serve as a member of the Board of Directors, the Advisory Board will nominate a director to fill such vacancy. See Exhibits 1.5(b) and 1.5(d) to the Merger Agreement attached hereto as Exhibit A.

At the Effective Time, the following persons shall comprise the Board of Directors of the Surviving Mutual Holding Company and the Intermediate Holding Company, to serve as such for the term indicated (assuming such persons continue to have the ability and willingness to serve):

	Director/Biography	**Initial Term Expires**	**Pan-American /MTL Designee**
Class I	**J. Antonio Villamil**: Member of the Board of Directors of Pan-American appointed November 2010; Served as a U.S. Under Secretary of Commerce for Economic Affairs – President George H.W. Bush Administration; Former Dean of the School of Business, St. Thomas University, Miami, Florida; Founder and Principal of The Washington Economics Group, Inc.; Former Chairman of the Governor’s Council of Economic Advisors of Florida; Member of the Board of Directors of the Spanish Broadcasting System and Mercantil Commerce Bank, N.A; B.S., Louisiana State University; M.A.-Economics, Louisiana State University; Ph.D. Candidate-Economics,	2016	Pan-American Designee

Director/Biography	Initial Term Expires	Pan-American /MTL Designee
Louisiana State University; Awarded a doctoral degree in Economics (hc) from Florida International University, for “distinguished contributions to the Nation in the field of economics.”		
Dr. Patrick J. Quinlan: Member of the Board of Directors of Pan-American appointed November 2011; Joined Ochsner Health System in 1998, formerly Chief Executive Officer 2001 to 2013, now Chief Executive Officer of Ochsner International Services; Former Chief Medical Officer of Lovelace Health Systems in Albuquerque, NM and past chair of the Metropolitan Hospital Council; Board member of the Louisiana Hospital Association, Greater New Orleans, Inc. and Café Reconcile; Serves on the Advisory Board of IberiaBank; B.A., University of Texas; M.D., University of Texas; M.H.S.A., College of St. Francis.	2016	Pan-American Designee
Coleman Ross: Member of the Board of Directors of Pan-American appointed May 2006; Retired partner of PricewaterhouseCoopers and former Chairman and Managing Partner of Price Waterhouse’s U.S. insurance practice; Former Chief Financial Officer of The Phoenix Companies, Inc. (life insurance, annuities, and asset management) and Trenwick Group Ltd. (property-casualty insurance and reinsurance); Served on American Institute of CPA’s Financial Reporting Executive Committee and Insurance Companies Committee; Board member of Syncora Holdings Limited (financial guarantee insurer) and Pike Pointe Holdings (toll road, bridge, and tunnel operator); Former board member of Omega Insurance Limited (Lloyds of London syndicate operator) and NCCI Holdings, Inc. (insurance data services); BSBA (Accounting), University of North Carolina at Chapel Hill; MA (Economics), Trinity College; MS (Financial Services), American College; Certified Public Accountant;	2016	Pan-American Designee

	Director/Biography	Initial Term Expires	Pan-American /MTL Designee
	Chartered Life Underwriter; Chartered Financial Consultant; Fellow, Life Management Institute; Health Insurance Associate.		
Class II	**Carlos F. Mickan**: Member of the Board of Directors of Pan-American appointed August 2014; appointed Vice Chairman of the Board and Chief Financial Officer in May 2015, Executive Vice President, Chief Financial Officer of Pan-American Life June 2005 to May 2015; Formerly Senior Vice President and CFO of Principal International, Inc., Chief Planning Officer for Aetna International, CFO for CIGNA Latin America & Asst. Treasurer for CIGNA Worldwide; While with Principal, assisted in the development of numerous successful acquisitions and joint ventures in Asia and Latin America; 30 years of industry experience; Member of the Risk & Uncertainty Management Council at University of South Carolina- Darla Moore School of Business; Board Member of New Orleans Ballet Association and Louisiana Appleseed; B.S., Universidad de los Andes, Bogota, Colombia; M.B.A. International Business, University of South Carolina.	2017	Pan-American Designee
Class III	**Jerry Carlisle**: Member of the Board of Directors of Pan-American appointed February 2013; Began career at Peat Marwick Mitchell & Co. (now KPMG) where he headed up the New Orleans office's Computer Auditing effort, specializing in oil and gas and financial services clients; also served a two-year rotation in New York City leading the design of the education program for firm's computer auditing activities; Joined Louisiana Land and Exploration Company (LL&E) in 1979 and in 1983 was elected LL&E's Vice President, Controller and Chief Accounting Officer and continued in that position until his retirement in 1997; Currently a member of the Board of Advisors for Woodward Design+Build; Currently a board	2018	Pan-American Designee

Director/Biography	Initial Term Expires	Pan-American /MTL Designee
member of the Metropolitan Crime Commission; Currently serves as an adjunct Professor at Tulane University; Currently Chair of a Vistage Group for New Orleans area CEOs; Former Board Member and Chair of the Audit Committee of Energy Partners Limited; Former member of the Board and Chair of the Audit Committee of Louisiana Citizens Property Insurance Corporation; Former President of UNO Business Higher Education Council; B.A., Mississippi State University; M.B.A., Loyola University.		
Kenneth Mlekush: Member of the Board of Directors of Pan-American appointed May 2005; Formerly served as Vice Chairman of Jefferson Pilot Corporation and President of Jefferson Pilot Life Insurance Company; Served as President and COO of Southland Life and President and CEO of Columbia National Corporation; Senior Vice President of Marketing for Sun Life of America and also served as Chairman, President & CEO of Universal Guaranty Life, a subsidiary of Sun Life; former board member of National Financial Partners. Former Chairman of LIMRA; Former trustee of the American College and Board member of Life Underwriting Training Council; More than fifty years in the life insurance industry; B.A., University of Montana; CLU, CHFC designations from American College.	2018	Pan-American Designee
Wendell Mottley: Member of the Board of Directors of Pan-American appointed February 2013; Current Chairman of the Unit Trust Corporation, the Caribbean's largest mutual fund company; Served in government positions in Trinidad from 1981 to 1995 where his positions included Minister of Housing, Minister of Industry and Commerce and Minister of Finance; In 1996, joined Credit Suisse New York and served there as an investment banker in various positions for	2018	Pan-American Designee

	Director/Biography	Initial Term Expires	Pan-American /MTL Designee
	fifteen years, also served at Credit Suisse as Managing Director and Senior Advisor; Former Board member and member of the World Wildlife Fund; Former member of the Asa Wright Beard Foundation, the leading environmental group in the Caribbean; Member of the Leadership Council of Yale University School of Forestry and the Environment; Represented Trinidad at the 1964 Olympic Games where he won silver and bronze medals; B.A., Yale University; M.A., Cambridge University.		
Class IV	**José S. Suquet**: Pan-American President & CEO since November 2004; Chairman of the Pan- American Board since 2008; Former Senior Executive Vice President at AXA Financial; More than thirty-five years of insurance industry experience; Past Chairman of LIMRA International and former member of American College Board; Board member of Federal Reserve Bank of Atlanta, Chairman of Retail Payments Office Oversight Committee; Serves on board of Ochsner Health System and member of Audit and Oversight Committee; Chairman of the Board of Trustees for the United Way of the Greater New Orleans for 2010-2011; B.S., Fordham University; M.B.A., University of Miami.	2019	Pan-American Designee
Class V	**Carlos Palomares**: Member of the Board of Directors of Pan-American appointed October 2007; With more than thirty years of management experience in the retail financial services industry, Mr. Palomares has completed global assignments in the United States, Latin America, Europe, Asia and the Middle East; Served as COO of two major financial companies, Capital One FSB and Citibank Latin America Consumer Bank; Served as CFO of Citibank North America Consumer Bank and led Citibank FSB Florida and Maryland/Virginia regions as its President and	2020	Pan-American Designee

Director/Biography	Initial Term Expires	Pan-American /MTL Designee
CEO; Board member of Banesco USA; Board member of Regional Management Corporation (NYSE: RM); B.S., New York University.		
Stephen M. Batza: FSA, MAAA, CLU, ChFC; Chairman of the Board, President and Chief Executive Officer of Mutual Trust Financial Group; Before joining MTL in November 2007, Mr. Batza was executive vice president and chief operating officer of the Individual Life Business Unit at Liberty Mutual Group; In this position, he was responsible for a multi-channel distribution system with a comprehensive product portfolio; A recognized leader in the industry, he is a fellow of the Society of Actuaries and a member of the American Academy of Actuaries, and holds a bachelor's degree from Siena College.	2020	MTL Designee
Martha Hesse: Member of the Board of Directors of MTL appointed in 1995; President and Chief Executive Officer of Hesse Gas Company from 1990 to 2003; Chairman of the Board of Enbridge Energy Partners from 2007 to 2012; Served as Chairman of the U.S. Federal Energy Regulatory Commission from 1986 to 1989; Assistant Secretary for Management and Administration, U.S. Department of Energy from 1983 to 1986; Served as Senior Vice President, First Chicago Corporation; Served as a director of AMECplc, and Terra Industries, Inc.; Attended the University of Iowa, and received her MBA from the University of Chicago; Currently a private investor.	2020	MTL Designee
Daniel Mulheran: Member of the Board of Directors of MTL appointed in 2014; President, Individual Life Distribution at ING U.S., LLC from 2007 until his retirement in 2013; During the same period, he also was on the Board of Directors of ING America Equities; Prior to this period, from 2002 to 2007, he was Sr. VP and Head of IGA Distribution, U.S. Life Group, at	2020	MTL Designee

Director/Biography	Initial Term Expires	Pan-American /MTL Designee
ING U.S. Financial Services; Built Mulheran & Associates, Inc., an insurance and financial services practice, where he served as President & Principal from 1976 to 2002; Former president of the Minneapolis Life Underwriters' Association; Served in the U.S. Navy and received a baccalaureate in business from California State University, Hayward.		

Subsidiaries' Boards of Directors

After the effective time of the Subsequent Merger, the PALIC Board of Directors shall initially consist of twelve (12) directors consisting of the same nine (9) Pan-American designees of the Surviving Mutual Holding Company Board of Directors and the same three (3) MTL designees of the Surviving Mutual Holding Company Board of Directors. The MTLIC Board of Directors shall initially consist of fourteen (14) directors consisting of the same nine (9) Pan-American designees of the Surviving Mutual Holding Company Board of Directors and the same three (3) MTL designees of the Surviving Mutual Holding Company Board of Directors, one of whom shall be a resident of the State of Illinois, and two (2) additional persons designated by Pan-American who are employees of MTL and residents of the State of Illinois. The MTL employees appointed to the MTLIC Board of Directors shall receive the same level of indemnification as is provided to the other directors of MTLIC following the Effective Time.

Surviving Mutual Holding Company Executive Officers

At the Effective Time, the following persons shall comprise the Executive Officers of the Surviving Mutual Holding Company and the Intermediate Holding Company:

Name/Biography	Title
José Suquet: Mr. Suquet joined Pan-American as President & CEO in November 2004. He was elected Chairman of the Board in 2008. Mr. Suquet has held senior management posts in the insurance industry for more than three decades, including serving as Senior Executive Vice President and Chief Distribution Officer of AXA Financial. Mr. Suquet is the Past Chairman of LIMRA International and former member of American College Board. He currently serves as a Board Member of the Federal Reserve Bank of Atlanta, and as Chairman of the Retail Payments Office Oversight Committee. Mr. Suquet serves on the Board of Directors of Ochsner Health System and is a member of the Audit and Oversight Committee. Previously, Mr. Suquet was Chairman of the Board of Trustees for the United Way of the Greater New Orleans for 2010-2011. Mr. Suquet received his B.S. from Fordham University and his M.B.A. from the University of Miami.	Chairman of the Board, President and Chief Executive Officer

Carlos Mickan: Mr. Mickan joined Pan-American as Executive Vice President and Chief Financial Officer of Pan-American Life in June 2005. In August 2014, he was appointed as a Member of the Board of Directors of Pan-American. In May 2015, Mr. Mickan was appointed Vice Chairman of the Board and Chief Financial Officer. Prior to joining Pan-American, Mr. Mickan served as Senior Vice President and CFO of Principal International, Inc., Chief Planning Officer for Aetna International, CFO for CIGNA Latin America & Asst. Treasurer for CIGNA Worldwide. While with Principal, he assisted in the development of numerous successful acquisitions and joint ventures in Asia and Latin America. Mr. Mickan has 30 years of industry experience. He is a member of the Risk & Uncertainty Management Council at University of South Carolina- Darla Moore School of Business, as well as Board Member of New Orleans Ballet Association and Louisiana Appleseed. Mr. Mickan received his B.S., Universidad de los Andes, Bogota, Colombia; M.B.A. International Business, University of South Carolina.	Vice Chairman of the Board and Chief Financial Officer
Stephen M. Batza: Mr. Batza will join Pan-American to lead its re-launched domestic life business from MTL's current headquarters in Oak Brook, Illinois. Mr. Batza, FSA, MAAA, CLU, ChFC, is the current Chairman of the Board, President and Chief Executive Officer of Mutual Trust Financial Group. Before joining MTL in November 2007, Mr. Batza was executive vice president and chief operating officer of the Individual Life Business Unit at Liberty Mutual Group. In this position, he was responsible for a multi-channel distribution system with a comprehensive product portfolio. A recognized leader in the industry, he is a fellow of the Society of Actuaries and a member of the American Academy of Actuaries, and holds a bachelor's degree from Siena College.	President, U.S. Domestic Life, Member of the Board
David Demmon: Mr. Demmon is the Vice President, Controller and Chief Accounting Officer in the Corporate Accounting and Finance department of Pan-American in New Orleans, Louisiana. In this capacity, Mr. Demmon is responsible for the day-to-day corporate accounting and financial budgeting. Mr. Demmon joined Pan-American in August of 2012. Prior to joining Pan-American, Mr. Demmon worked as the Vice President of Financial Planning and Forecasting for North America for the Aviva Corporation in Chicago, Illinois. Mr. Demmon has a Bachelor of Science from the University of Oregon. His certifications include Certified Internal Auditor and Certified Public Accountant. He is a member of the Ohio Society of CPA'S and the Institute of Internal Auditors.	Vice President, Controller
Robert DiCianni: Mr. DiCianni joined Pan-American life in July 2011. He has more than 25 years' experience in the life and health	President, International Group

insurance industry, with almost 20 years focused on Latin America and the Caribbean. Mr. DiCianni started his career as a Group Underwriter at Prudential, and eventually became the head of international group underwriting at AIG. He has held positions as Country Manager of ALICO Panama/Central America; Country Manager of ALICO Uruguay; CEO of ALICO Mexico; and Vice President, Americas, Corporate Business, AIG (later MET Life). Mr. DiCianni has a B.B.A. from the University of Notre Dame and is a Fellow of the Life Management Institute.

Lory Anne Dupuy: Ms. Dupuy is the Vice President - Investment Administration Treasurer in the Investment Department of Pan-American in New Orleans, Louisiana. In this capacity, Ms. Dupuy is responsible for overseeing the accounting, administration and reporting for the various investment portfolios. Additionally, Ms. Dupuy acts as Treasurer of the Pan-American Life Insurance Group overseeing cash management and bank relationships. In June 1983, Ms. Dupuy began her professional career at Pan-American as an entry level accountant in the insurance administration department. Ms. Dupuy advanced through Internal Audit to Securities Analyst, various levels in Investment Administration, and was named Vice-President in 2005. Currently, Ms. Dupuy is located in the Investments department in New Orleans, Louisiana. Ms. Dupuy has a Master's of Business Administration from the University of New Orleans and a Bachelor of Science in Accounting from Louisiana State University. Her certifications include Certified Public Accountant (CPA) in 1984, Chartered Financial Analyst (CFA) in 1988 and Fellow of the Life Management Institute since 1987.

Vice President, Treasurer

Selig Ehrlich: Mr. Ehrlich, FSA, MAAA, currently serves as the Chief Actuary and Risk Officer for Pan-American, beginning as a consultant in 2004. In his 35-year operating and consulting career, Mr. Ehrlich has gained a reputation as a leader and subject matter expert in the areas of financial reporting and analysis, product design/pricing, risk management, mergers & acquisitions, valuation, and reinsurance. Previously, Mr. Ehrlich was Executive Vice President and Chief Actuary of AXA/Equitable and Chief Actuary at Travelers.

Chief Actuary & Risk Officer

John Foley: Mr. Foley joined Pan-American in 2009 and oversees the Domestic Group business. Mr. Foley brings more than 20 years of experience from the insurance industry. Prior to joining Pan-American, he served as Senior Vice President of Berkshire Life Insurance, a wholly owned stock subsidiary of The Guardian Life Insurance, overseeing operations and information technology, including underwriting, new business administration, claims, and

President, U.S. Domestic Group

client services. Before working for Berkshire Life Insurance, he was the Vice President of The Guardian Life Insurance's Group Dental and Vision where he was responsible for managing the product development, actuarial review, financial management and promotion to field. As a community leader, Mr. Foley actively contributes to numerous organizations such as National Association of Dental Plans NADP (board chair 2007-2008), Trustee of the United Way of Southeast Louisiana (current) and American Heart Association Chair 2014.

Patrick Fraizer: Mr. Fraizer joined Pan-American as General Counsel and SVP of Human Resources in March 2006. He brings more than 28 years of legal, accounting, and mergers/acquisitions experience in the financial services industry and specialization in joint ventures. Prior to joining Pan-American, Mr. Fraizer served as Vice President and Senior International Counsel for the Principal Financial Group with responsibility for the firm's legal services outside of the United States. During his tenure at Principal, he also served as a General Auditor and Chief Compliance Officer for the Group and as General Counsel for its international division. Mr. Fraizer also worked as a tax specialist with Peat, Marwick, Mitchell & Co. He is a Certified Public Accountant and a member of the American Bar Association, the American Institute of Certified Public Accountants, the Association of Life Insurance Counsel, the Louisiana State Bar Association, the Iowa State Bar Association and the Iowa Society of Certified Public Accountants.

Senior Vice President – Human Resources, General Counsel, and Corporate Secretary

Alan Furan: Mr. Furan is the Vice President and Appointed Actuary in the Individual Financial Reporting and Corporate Actuarial department of Pan-American in New Orleans, Louisiana. In this capacity, Mr. Furan is responsible for the valuation and financial reporting of the Pan-American Life Insurance Group. Mr. Furan joined Pan-American in January of 2010. Mr. Furan has twenty-eight years of experience and has worked as the Chief Life and Health Actuary for the Ohio Department of Insurance and Actuarial Officer of Nationwide Life Insurance in Columbus, Ohio. Mr. Furan has a Master of Arts degree from Ball State University. He is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Vice President, Valuation Actuary

Bruce Parker: Mr. Parker, CLU, ChFC, MSM, LUTCF, joined Pan-American as the head of the Global Life division in 2009. Previously, he served as President, CEO and Chairman of Old Mutual US Life and held leadership responsibilities for several of its subsidiaries. Prior to his position at Old Mutual, Mr. Parker was Senior Vice President of Distribution for Jefferson Pilot Financial, where he led

President, International Life

the design and implementation of their Premier Partner Strategy. Mr. Parker is a former Board member of LIMRA International, former Trustee of The American College in Bryn Mawr, Pennsylvania and former Trustee of Mt. Pisgah Christian School in Johns Creek, Georgia. Mr. Parker received his B.A. from State University of New York- Oswego.

Scott Reitan: Mr. Reitan joined Pan-American as Senior Vice President of Administration and Information Technology in 2011. Mr. Reitan's career began as an auditor with Ernst & Whinney, transitioning in the late 1980s to a leadership role with First Bank System. In the late 1990s Mr. Reitan joined Treasury Services Corporation and subsequently Oracle Corporation as Vice President of Financial Services Strategy. Most recently, Mr. Reitan founded and served as Partner and President of Parkfield Group, a consulting firm focused on financial management, process improvement, corporate governance, SOX compliance, enterprise risk management and business continuity planning. Mr. Reitan is a Certified Public Accountant and received his B.S.B. from the University of Minnesota

Senior Vice President of Administration and Information Technology

Rodolfo Revuelta: Mr. Revuelta, Chief Investment Officer, began his professional career with Pan-American in 1976 as a Latin American securities analyst and was named Vice President in 1993. He is a member and past chairman of the Investment Committee of the United Way for the Greater New Orleans Area and Past President of the Financial Analysts of New Orleans. Mr. Revuelta received a bachelor's degree of science in business administration and M.B.A. from the University of Florida. He earned his chartered financial analyst (CFA) designation in 1980 and is a member of the CFA Institute, formerly AIMR.

Senior Vice President, Chief Investment Officer

Marta C. Reeves: Ms. Reeves joined Pan-American as Vice President for Corporate Marketing in 2005. Ms. Reeves leads Pan-American Life's marketing operations, maintaining and strengthening communications and sales-support to its network of domestic and international insurance agencies, agents, policyholders and the public. Prior to joining Pan-American, Ms. Reeves worked at Principal International, a unit of Principal Financial Group, as director of direct marketing. Her prior insurance industry experience includes executive-level positions in international insurance marketing with CIGNA and Aetna throughout Latin America and the Caribbean. Ms. Reeves earned her bachelor's degree of science in marketing from Texas Christian University in Fort Worth, Texas, and holds an M.B.A. in international business from the University of Miami.

Vice President, Corporate Marketing

Bryan Scofield: Mr. Scofield began his career in Human Resources in 1991 as a Benefits and Compensation Analyst at First Commerce Corporation in New Orleans. Prior to joining Pan-American in 2000, Mr. Scofield held the position of Director of Benefits and Compensation at Hancock Bank in Gulfport, Mississippi where his responsibilities included managing the administration of all health and welfare plans, ensuring compliance with regulatory agency guidelines and laws and conducting executive compensation analysis. Mr. Scofield is a member of the American Compensation Association as well of The Society of Human Resources Management (SHRM). He also is a member of the Junior Achievement of Greater New Orleans Board of Governors.	Vice President, Human Resources

Advisory Board

MTLIC will maintain the Advisory Board, comprised of existing members of the MTL Board who are not MTL designees to the Pan-American Board, for at least the Seven-Year Mandatory Period. The duration of the Advisory Board will be automatically extended for an additional three years unless the Pan-American Board approves its dissolution and discontinuance at the end of the Seven-Year Mandatory Period. The Advisory Board will have the ability to provide advice to the Board of Directors and management of MTLIC and Pan-American and provide recommendations with respect to the business and operations of MTLIC. The Advisory Board shall not have the right to approve or initiate any actions on behalf of MTLIC or Pan-American, and MTLIC and Pan-American shall be under no obligation to accept any recommendations of the Advisory Board, except to the extent provided in the DPP.

Pursuant to the Merger Agreement and the DPP, the Advisory Board has also been expressly granted the authority to enforce on behalf of the MTL Members certain provisions of the Merger Agreement intended to protect the MTL Members and MTLIC Policyholders, including Section 1.5 (Articles and By-laws of the Surviving Mutual Holding Company) through Section 1.9 (Executive Officers), Section 1.11 (Locations of MTLIC Headquarters) through Section 1.13 (Capital Support), Section 3.1 (Statement of Dividend Principles), Section 6.10(b) (Future Transactions) and Section 9.8 (Parties in Interest) of the Merger Agreement (the "*Specified Provisions*"). In accordance with such authority, the Advisory Board will:

(i) confer with MTLIC and determine acceptable modifications to the DPP in accordance with the DPP;

(ii) designate a replacement for any MTL designee to the Pan-American Board that ceases to serve on the Pan-American Board during the Five-Year Mandatory Period, if any;

(iii) determine whether to approve any amendments, modifications or waivers of the Specified Provisions of the Merger Agreement; and

(iv) enforce, from and after the Effective Time, the rights and interests of the MTL Members pursuant to the Merger Agreement (with respect to the Specified

Provisions), the DPP and the charter of the Advisory Board, a copy of which is included as Exhibit A in the Exhibit Volume.

Executive Offices

The executive offices of Pan-American and MTLIC are, respectively: New Orleans, Louisiana; and Oak Brook, Illinois. The Merger Agreement provides that from the Effective Time through at least the Five-Year Mandatory Period, MTLIC shall continue to operate out of its executive offices in Oak Brook, Illinois.

THE MERGER AGREEMENT

General

The following description of certain aspects of the Merger Agreement, including the principal provisions of the Merger Agreement, is qualified in its entirety by reference to the full text of the Merger Agreement attached hereto as Exhibit A in the Exhibit Volume and other information contained elsewhere herein, including the Exhibit Volume set forth in the Table of Contents and the documents incorporated herein by reference. MTL Members are urged to read the Merger Agreement in its entirety prior to voting on the Proposals.

The Merger

The Merger Agreement provides, subject to the conditions set forth therein, for the merger of MTL with and into Pan-American, followed by a merger of MTL Holdings with and into PALIG. The Merger Agreement contemplates that Pan-American will be the surviving company of the Merger and the legal existence of MTL as a separate mutual holding company will cease at the Effective Time. The MTL Members will thereafter be members of the Surviving Mutual Holding Company, entitled to all the rights and privileges of all members of the Surviving Mutual Holding Company. The Merger Agreement provides that at the Effective Time, the rights and interests of each MTL Member will, by virtue of the Merger and without any action on the part of any MTL Member, be converted into corresponding rights and interests in the Surviving Mutual Holding Company as a member of the Surviving Mutual Holding Company. Likewise, at the Effective Time, the rights and interests of each Pan-American Member will, by virtue of the Merger and without any action on the part of any Pan-American Member, remain as rights and interests in the Surviving Mutual Holding Company.

At the Effective Time, the Articles of Incorporation and By-laws of the Surviving Mutual Holding Company and the Intermediate Holding Company will be amended and restated in their entirety to be in the agreed forms that are attached as exhibits to the Merger Agreement. See Exhibits 1.5(a)-(d) to the Merger Agreement attached hereto as Exhibit A.

The number of the persons constituting the entire Boards of Directors of the Surviving Mutual Holding Company, the Intermediate Holding Company and PALIC will each initially be twelve (12) consisting of nine (9) Pan-American designees and three (3) MTL designees. In accordance with the By-laws of the Surviving Mutual Holding Company, if, prior to the fifth anniversary of the Effective Time but not thereafter, any MTL Director ceases to serve as a member of the Board of Directors, the Advisory Board will nominate a director to fill such vacancy. *See* Exhibits 1.5(b) and 1.5(d) to the Merger Agreement attached hereto as Exhibit A. The Board of Directors of MTLIC will initially be comprised of fourteen (14) members, consisting of the same twelve (12) directors of the Surviving Mutual Holding Company and two (2) additional persons designated by Pan-American who are employees of MTL and residents of the State of Illinois.

The Merger Agreement provides that each of MTL and Pan-American shall use its respective reasonable best efforts to consummate the transactions contemplated by the Merger Agreement, including by mailing information statements to, and soliciting the affirmative vote of, its respective members and policyholders to approve the Mergers. In order to be effective, the Merger Agreement must be approved by a vote of two-thirds of the votes cast by voting MTL Members present in person or by proxy, including by virtue of having voted by telephone or Internet, at the Special Meeting of MTL Members, as described under the heading "Merger Agreement – Conditions to Closing." If, for any reason, the Mergers are not consummated, each party will remain in its current form.

Advisory Board

The Merger Agreement provides for an Advisory Board to MTLIC to be established. The Advisory Board will have the ability to provide advice to the Board of Directors and management of MTLIC and the Surviving Mutual Holding Company and provide recommendations with respect to the business and operations of MTLIC, but neither MTLIC nor the Surviving Mutual Holding Company will be under any obligation to accept any such recommendations, except to the extent provided in the DPP. The Advisory Board will be in place for at least seven years. The term of the Advisory Board will automatically be extended until the tenth anniversary of the Mergers unless the Surviving Mutual Holding Company Board of Directors approves the dissolution and discontinuance of the Advisory Board. The members of the Advisory Board will be third party beneficiaries of the Merger Agreement solely for purposes of having the full right to enforce the rights of the existing MTL Members (in their capacity as such) under certain specific provisions of the Merger Agreement. The Advisory Board will have the ability to retain and appoint advisors and legal counsel (at MTLIC's expense) to advise it and to transact matters of litigation or arbitration in connection with and arising out of the Merger Agreement. MTLIC will indemnify the members of the Advisory Board against liabilities arising out of such service.

Employee Matters

The Merger Agreement provides that during the 24-month period following the Effective Time, the Surviving Mutual Holding Company will not terminate (actively or constructively) the employment of, or materially change the compensation, certain employee benefits or other terms of employment of, any individual employed by MTL or any MTL subsidiary, except for "cause" determined in good faith by the Surviving Mutual Holding Company. The Merger Agreement contains other customary protections for employees under applicable benefit plans.

Operating Plan

The parties have jointly prepared and agreed on the form of an operating plan, which reflects the parties' current intent with regard to the operation of the U.S. life and annuity operations for the subsidiaries of the Surviving Mutual Holding Company during a four-year period from and after the Effective Time. Neither the operating plan, nor anything to the contrary in the Merger Agreement, will restrict the ability of MTL and its subsidiaries or Pan-American and its subsidiaries from amending their respective investment guidelines or repositioning their respective investment portfolios after the Effective Time.

Domiciliary Jurisdictions of Subsidiaries

Following the Effective Time, all subsidiaries of the Surviving Mutual Holding Company will remain domiciled in the states in which they are domiciled as of the Effective Time, unless and until the Board of Directors of the Surviving Mutual Holding Company and the Board of Directors of the subsidiary seeking to change its domicile authorize such change of domicile and the requisite regulatory approvals have been obtained.

Maintenance of MTL's Executive Offices

From the Effective Time until at least the fifth anniversary of the Effective Time, MTLIC will continue to operate out of MTL's executive offices in Illinois.

Capital Support

From the Effective Time until the fifth anniversary of the Effective Time: (a) MTLIC will not pay any stockholder dividends or make any other similar distributions with respect to its capital stock to the Intermediate Holding Company, the Surviving Mutual Holding Company, any of their affiliates or otherwise; and (b) the Surviving Mutual Holding Company will otherwise cause MTLIC's RBC Ratio at all times during such period to equal or exceed 400%.

Statement of Dividend Principles

The DPP will be implemented to protect and maintain the reasonable dividend expectations of MTLIC's present participating policyholders as of the Effective Time. The terms of the DPP may only be changed with the prior approval of the Advisory Board or, if the Advisory Board no longer exists, with the prior approval of MTLIC's domiciliary regulator. See Exhibit 3.1 to the Merger Agreement attached hereto as Exhibit A.

Representations and Warranties

Each of MTL and Pan-American makes customary, reciprocal representations and warranties to the other party, covering such matters as: (1) organization and qualification; (2) capitalization; (3) authority; (4) non-contravention; (5) SAP statements; (6) GAAP statements; (7) reserves; (8) absence of certain changes; (9) undisclosed liabilities; (10) taxes, including product tax matters; (11) litigation; (12) brokers; (13) compliance with laws; (14) employee benefit plans, ERISA and labor matters; (15) environmental matters; (16) related-party transactions; (17) producers; (18) contracts; (19) internal controls; (20) insurance contracts, reinsurance treaties and investment policies; (21) operations insurance; (22) intellectual property; (23) investment company status; (24) risk-based capital; (25) Foreign Corrupt Practices Act; and (26) dividend policy.

Certain Covenants

From the date of the Merger Agreement until the Effective Time, each party is required to conduct its business in the ordinary course. In addition, the parties agree that they will use their respective reasonable best efforts to preserve their respective relationships with policyholders, members, insureds, agents, brokers and others with whom they have business dealings, and will not, without the consent of the other party: (1) change premium rates, dividends, underwriting, investment and other insurance and business practices or policies in any material respect outside the ordinary course of business; (2) amend their organizational documents; (3) issue or sell any shares of, or rights of any kind to acquire any shares of or to receive any payment based on the value of, its capital stock or any securities convertible into shares of any such capital stock; (4) incur indebtedness, other than indebtedness below a certain agreed percentage of such party's aggregate asset value, or enter into any guarantees, subject to certain exceptions; (5) make any material change in accounting methods (unless required by law); (6) agree to or effect any merger, consolidation, demutualization, redomestication, sale of all or substantially all of its assets, bulk or assumption reinsurance arrangement or similar reorganization or business combination; (7) enter into any contract that could materially and adversely affect the ability of such party to perform its obligations under the Merger Agreement; (8) enter into any contract that limits the ability to engage in any business, to compete with any person, to do business with any person or in any location or to employ any person; (9) take any action that would be reasonably likely to adversely affect the status of either the Merger or the Subsequent Merger as a reorganization under Section 368(a) of the Internal Revenue Code of the United States; (10) modify any contract in existence as of the date of the Merger Agreement in such a way as would violate clauses (2) through (9); (11) increase compensation or benefits to directors, officers or employees, subject to certain exceptions, except in the ordinary course of business or pursuant to the terms of agreements or plans as currently in effect; (12) make any capital expenditures or commitments for capital expenditures above a certain agreed level (other than in the ordinary course of business); (13) settle or compromise any proceeding above a certain agreed level (other than in the ordinary course of business); (14) take any action that would reasonably be expected to result in a reduction of a life insurance subsidiary's financial strength or claims paying rating; or (15) agree, in writing or otherwise, to take any of the actions prohibited by this paragraph.

The Merger Agreement includes a provision that acknowledges that Pan-American does not have a *current intent* to undertake a corporate dissolution, sell the stock of MTLIC, the Intermediate Holding Company or any of its other subsidiaries through a public offering, redomesticate MTLIC, or demutualize or undertake some other type of corporate reorganization in which an allocation of surplus would be required for a distribution to the members of the Surviving Mutual Holding Company following the Mergers. A certificate reaffirming such intent (the "*Future Transactions Bringdown Certificate*") must also be delivered to MTL at closing. Pan-American has agreed to promptly notify MTL in writing of its then-current intention ("*Future Transactions Notice*") if its current intent changes prior to the Effective Time. In addition, if the Surviving Mutual Holding Company takes any of these actions following the Mergers, it will provide all of its members with fair and equitable treatment under a plan of demutualization or other plan of distribution and, in particular, the distributable amount under any such plan will be developed on a consistent basis for all members of the Surviving Mutual Holding Company, including those members who were previously members of MTL, at the time of distribution. Furthermore, any future redomestication of MTLIC would be subject to the approval of the Board of Directors of Pan-American and the Board of Directors of MTLIC and the receipt of any requisite regulatory approvals.

Indemnification of Directors and Officers and Insurance

The Merger Agreement includes customary provisions for the ongoing indemnification (and coverage by appropriate D&O insurance coverage) of the directors and officers of the respective parties with respect to actions taken prior to the closing date.

No Solicitations

The Merger Agreement includes deal protection covenants that prohibit either party from soliciting or discussing alternative transactions with third parties except in certain limited circumstances relating to the receipt of **Reorganization Proposals**, **Superior Proposals** and **Alternative Significant Transactions**.

If MTL receives an unsolicited written Reorganization Proposal that was received before the affirmative vote of the MTL Members is obtained and other than as a result of a breach of the non-solicitation covenant, the MTL Board may after consultation with its financial and legal advisors, if it determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties under, or otherwise violate, applicable law: (i) provide information to the person making such Reorganization Proposal (subject to the prior execution of an acceptable confidentiality agreement); and (ii) if it also determines in good faith, after consultation with its financial and legal advisors, that such Reorganization Proposal constitutes or is reasonably likely to result in a Superior Proposal, engage in negotiations or discussions with the person making such Reorganization Proposal; and (iii) if it also determines in good faith, after consultation with its financial and legal advisors, that such Reorganization Proposal constitutes a Superior Proposal and continues to constitute a Superior Proposal after providing Pan-American with notice and a ten (10) business day opportunity to match such Reorganization Proposal and that the failure to take such action would violate the MTL Board's fiduciary duties under, or otherwise violate, applicable laws, withdraw or withhold, or modify, amend or qualify in a manner adverse to Pan-American, its recommendation to the MTL Members and MTLIC Policyholders with respect to the Mergers (the "fiduciary out") or terminate the Merger Agreement in order to enter into a Superior Proposal (the "fiduciary termination right"). If Pan-American receives an unsolicited written Reorganization Proposal that was received before the affirmative vote of the Pan-American Members is obtained and other than as a result of a breach of the non-solicitation covenant, the Pan-American Board may after consultation with its financial and legal advisors, if it determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties under, or otherwise violate, applicable law: (i) provide information to the person making such Reorganization Proposal (subject to the prior execution of an acceptable confidentiality agreement); and (ii) if it also determines in good faith, after consultation with its financial and legal advisors, that such Reorganization Proposal constitutes or is reasonably likely to result in the consummation of an Alternative Significant Transaction, engage in negotiations or discussions with the person making such Reorganization Proposal; and (iii) if it also determines in good faith, after consultation with its financial and legal advisors, that such Reorganization Proposal constitutes an Alternative Significant Transaction, enter into an agreement providing for the consummation of an Alternative Significant Transaction after providing MTL with notice and a ten (10) business day opportunity to determine whether to exercise its related termination right that is triggered upon the determination by action of the Pan-American Board to enter into a definitive binding agreement providing for the consummation of an Alternative Significant Transaction.

Notwithstanding the foregoing, nothing in the Merger Agreement prevents Pan-American or the Pan-American Board from making any disclosure or communication, including any supplement or amendment to any existing disclosure or communication, to the Pan-American Members solely to describe any Alternative Significant Transaction if the Pan-American Board determines in good faith, after consulting with its outside legal counsel, that the failure to make such disclosure or communication would be inconsistent with its fiduciary duties under, or otherwise violate, applicable law, provided that the Pan-American Board must in each case reaffirm its recommendation that the Pan-American Members vote in favor of the Merger and cannot in any way disparage the transactions contemplated by the Merger Agreement.

Conditions to Closing

The consummation of the Merger is subject to the satisfaction or waiver of the following conditions: (i) approval and adoption by the requisite votes of each party's members shall have been obtained; (ii) all required regulatory approvals shall have been obtained without the imposition of a **Burdensome Condition** on the party asserting the failure of this condition; (iii) the HSR (antitrust approval) waiting period shall have terminated or expired (which occurred effective as of June 1, 2015); (iv) no injunction or order that prevents the Mergers shall be effective; (v) all representations and warranties of the other party shall be true and correct (without regard to materiality qualifiers), except where the failure to be true and correct would not have a **Material Adverse Effect** or a material adverse effect on the ability of the other party to consummate the Mergers or any other of the transaction contemplated by the Merger Agreement; (vi) each party shall have complied in all material respects with its covenants; (vii) since the date of the Merger Agreement, there shall not have been a Material Adverse Effect with respect to the other party; (viii) each party shall have received a tax opinion regarding the qualification of the Merger as a "tax-free reorganization" under applicable tax law; (ix) Pan-American shall have received and delivered to MTL an opinion of counsel to the effect that the extinguishment of the membership interests of the MTL Members and such members becoming members of the Surviving Mutual Holding Company should not require registration of the membership interests under the federal securities laws; (x) Pan-American shall have delivered to MTL an executed copy of the Advisory Board Charter; and (xi) the following ratings conditions:

- with respect to MTL, each Pan-American insurer that is domiciled in the United States shall have been and continue to be assigned a financial strength rating of "A" or a higher rating by A.M. Best Company, and such rating shall not be (i) subject to a negative watch or outlook or (ii) under review with negative implications or a developing implication for a possible downgrade below "A," other than, in the case of clauses (i) and (ii), pursuant to such rating being subject to a negative watch or outlook or placed under review by A.M. Best Company primarily in connection with the transactions contemplated by the Merger Agreement, and A.M. Best Company shall not have notified Pan-American or MTL or any of their respective subsidiaries that it will downgrade the rating of any such Pan-American insurer below "A" or place any such rating under review with negative implications or a developing implication for a possible downgrade below "A" other than primarily in connection with the transactions contemplated by the Merger Agreement; and

- with respect to Pan-American, MTLIC shall have been and continue to be assigned a financial strength rating of "B++" or a higher rating by A.M. Best Company, and A.M. Best Company shall not have notified Pan-American or MTL or any of their respective subsidiaries that it will downgrade the rating of MTLIC below "B++".

Termination

The Merger Agreement may be terminated in the following manner:

(i) by mutual written consent of the parties; and

(ii) by either party at any time prior to the Effective Time if: (a) a governmental entity that must grant a required regulatory approval of the Mergers has denied its approval in a final, non-appealable manner; (b) the Merger has not been consummated by March 31, 2016 (the "*Cut-Off Date*"), subject to certain conditions; (c) either party's members do not approve the Mergers; (d) the other party has committed a willful and material breach of the covenants relating to: (A) calling a special meeting and recommending the Mergers to such party's members and sending the members a meeting notice and information statement, (B) taking or not taking an action that would reasonably be expected to materially delay, impair or impede the consummation of the Mergers or the receipt of regulatory approval and (C) the no shop/fiduciary out covenant described above (collectively, the "*Willful and Material Breach Termination Right*"); (e) the other party has materially breached any of its representations and warranties or covenants, which breach would give rise to a Material Adverse Effect with respect to such party and is not cured, or is incapable of being cured, within a sixty (60) day period after written notice of such breach;

(iii) by MTL if: (a) the MTL Board determines to enter into an agreement with a third party with respect to a Superior Proposal in accordance with the "fiduciary termination right" described above; or (b) Pan-American fails to deliver the Future Transactions Bringdown Certificate (as noted above) or Pan-American delivers a Future Transactions Notice (as noted above) or if the Board of Directors of Pan-American determines to enter into an agreement with a third party providing for the consummation of an Alternative Significant Transaction; and

(iv) by Pan-American if the MTL Board withdraws or modifies its recommendation to its members with respect to the Mergers (this is only permitted in limited circumstances relating to the "fiduciary out" described above).

Termination Fee

The Merger Agreement requires the payment of a termination fee equal to $12,000,000 if the Merger Agreement is terminated (the "*Termination Fee*"): (i) pursuant to the Willful and

Material Breach Termination Right noted above, in which case the Termination Fee is payable by the party that has committed the willful and material breach; or (ii) in order for MTL to enter into an agreement with respect to a Superior Proposal in accordance with the "fiduciary termination right" described above, in which case the Termination Fee is payable by MTL; or (iii) if the Board of Directors of MTL has changed its recommendation to its members in accordance with the "fiduciary out" described above, in which case the Termination Fee is payable by MTL; or (iv) if (a) a Reorganization Proposal has been made to MTL; and (b) the Merger Agreement is terminated by Pan-American because either (x) the Mergers have not occurred by the Cut-Off Date, (y) the members of MTL have not approved the Mergers or (z) MTL has breached the Merger Agreement; and (c) within 12 months after such termination, MTL enters into an agreement in connection with, or consummates, any Reorganization Proposal, in which case the Termination Fee is payable by MTL; (v) if (a) Pan-American fails to deliver the Future Transactions Bringdown Certificate or (b) Pan-American delivers a Future Transactions Notice or (c) the Board of Directors of Pan-American determines to enter into an agreement providing for the consummation of an Alternative Significant Transaction, in which case the Termination Fee is payable by Pan-American.

Governing Law

The Merger Agreement will be governed by the laws of New York, except for the operative provisions relating to the Mergers, which will be governed by Louisiana law (or the laws of Illinois or Delaware, where mandatory).

Survival

The representations, warranties and covenants will not survive the Effective Time, except for the Specified Provisions of the Merger Agreement, which shall survive until the seventh anniversary of the Effective Time or such shorter time period specified therein and except for Section 6.5 (Indemnification) and Section 9.2(a) (Termination Fee) which shall survive in accordance with their terms.

Amendment

The Merger Agreement may be amended in writing by the parties at any time prior to the Effective Time, before or after obtaining the requisite member approvals, so long as (a) no amendment that requires further member approval under applicable laws after the requisite member vote shall be made without such required further member approval and (b) such amendment has been duly approved by each of the MTL Board and the Pan-American Board. After the Effective Time and for a period of seven years, certain provisions relating to corporate governance, employee matters, capital support, statement of dividend principles, future transactions and third party beneficiaries may not be amended, modified or waived without the approval of the Advisory Board.

Third Party Beneficiaries

There are no third party beneficiaries to the Merger Agreement, except that, after the closing, each party's directors and officers are third party beneficiaries of the covenants set forth in Section 6.5(e) (Indemnification), and the members of the Advisory Board are third party beneficiaries of the Merger Agreement for the sole purpose of having the full right to enforce the rights of the existing MTL Members (in their capacity as such) under the Specified Provisions.

POST-MERGER DIVIDEND PLAN

While policy dividends may vary from year to year and future changes in policy dividend practices may occur in response to future events or circumstances, MTLIC's policyholder dividend practices will not be changed adversely by reason of the Mergers. To protect the reasonable dividend expectations of MTLIC's existing policyholders, Pan-American and MTL have agreed that, as part of the Mergers, MTL will adopt the Statement of Dividend Principles set forth in Exhibit 3.1 to the Merger Agreement, which is summarized below. If there is any conflict between the terms of the Statement of Dividend Principles and the summary below, the terms of the Statement of Dividend Principles shall govern.

As part of MTL's conversion to a mutual insurance holding company structure in 1999, MTL implemented a post-conversion dividend principles and policy (the "*Post-Conversion Dividend Practices and Policy*" or "*PCDPP*"). The existing PCDPP allows MTL to terminate or modify such PCDPP in the event of a future merger with another mutual insurance holding company. A more detailed Statement of Dividend Principles (referred to as the "*dividend protection plan*," or "*DPP*") will supersede and replace the existing PCDPP. The existing PCDPP provides for MTLIC to determine an aggregate amount of dividends to pay in a given year based on a balance of considerations for financial strength, growth and policyholder value. These are qualitative judgments made by the Board of Directors of MTLIC under the existing PCDPP. In contrast, the new DPP provides for a formula-driven, quantitative basis to be used by MTLIC in determining the aggregate amount of dividends to distribute. This quantitative basis required by the DPP uses formulas and many factors from the current dividend scale, while providing for future changes to reflect emerging experience. The more quantitative approach required by the DPP is intended to protect the reasonable dividend expectations of policyholders by preserving historical dividend practices and limiting the amount of discretion that may be exercised by management and the Board of Directors of MTLIC in determining dividend amounts. The DPP is similar to the PCDPP in that both focus on the aggregate amount of dividends to be paid without preventing MTLIC from adjusting, based on equitable distribution principles, the individual allocations to each policyholder of distributable surplus. If there is any conflict between the terms of the DPP and the summary below, the terms of the DPP shall govern.

The purpose of this revised dividend protection plan is to provide for the reasonable dividend expectations of existing MTLIC Policyholders who own an individual participating life insurance policy or annuity contract of MTLIC that (a) gives rise to membership interests in MTL and (b) is in force as of the Effective Time or, if not in force, could be reinstated on that date. The DPP achieves this protection primarily by specifying an aggregate target for cumulative dividends based on the current dividend formula and practices, updated only for emerging mortality, expense inflation and investment return, as well as the amortization of realized capital gains and losses.

MTLIC's recent dividend practices are reflected in the requirements of the DPP, which is an important element in providing for the protection of the reasonable dividend expectations of existing MTLIC Policyholders by providing for the continuation of MTLIC's recent dividend practices, subject, as always, to variations that may occur in response to future experiences, events and circumstances.

Most of MTLIC's participating policies fall into a category identified as "Group D" in the DPP. For these policyholders, the DPP provides that "reasonable dividend expectations" means that if the current experience underlying the existing 2015 dividend scale continues (including the average interest rate on its asset portfolio as defined in the DPP reflected in the 2015 dividend scale), then the 2015 dividend scale should continue unchanged.

In recent years, MTLIC's dividend scale (similar to many other life insurance companies' participating dividend scales) has been lowered to reflect, among other things, the drop in yields earned. If interest rates available on new asset purchases continue at historically low levels (which are lower than the average interest rates earned on MTLIC's existing assets), it is reasonable for policyholders to expect that future dividend scales will be reduced from the existing 2015 scale, which would be consistent with the DPP. Conversely, if the net effect of changes in interest rates and mortality experience improves in the future, such improved experience could over time result in dividends greater than the 2015 scale. The investment of assets supporting the Group D dividend scale is guided by an Investment Policy Statement attached to the DPP. This Investment Policy Statement encourages investing for a reasonable return, avoiding both too much risk (with uncertain returns) and too little risk (with poor returns). The future dividends will ultimately reflect the investment returns actually achieved.

While the DPP allows MTLIC to continue to change the dividend scale to reflect emerging mortality, expense inflation and investment experience (net of investment expenses and default charges), the procedures underlying the DPP and certain factors in the DPP intended to protect the reasonable dividend expectations of policyholders can only be changed with prior approval of the Advisory Board or, if the Advisory Board no longer exists, with prior approval of MTLIC's domiciliary regulator. Thus, for example, the aggregate dividend targets will continue to use the same formulas for recognizing mortality gains and investment earnings, the same charges for administrative expense per unit adjusted for inflation, and the same charges for contributions to surplus as in the 2015 dividend scale. Because MTLIC cannot change these without approval of the Advisory Board or the domestic insurance regulator, as applicable, these requirements help protect the reasonable dividend expectations of existing MTLIC Policyholders based on historical dividend practices.

The DPP also provides appropriate protections for small groups of (i) term or deferred annuity contracts with a current non-zero dividend scale referred to in the DPP as "Group A"; (ii) policies in the plan named Single Premium Life for Supplemental Security Recipients involving termination dividends, referred to in the DPP as "Group B"; and (iii) policies under a plan named Millennium Crown Term to 99 involving nonguaranteed premium scales referred to in the DPP as "Group C." The DPP provides protections such that the nonguaranteed elements in these groups are unlikely to ever be made disadvantageous for policyholders compared to the nonguaranteed elements applicable to each such group in 2015. There is no dividend protection provided for in the DPP for policies that have not been paid dividends for some years (or ever) and no dividends are likely, as there are no reasonable dividend expectations of policyholders of these policies to protect. For example, there are no protections in the DPP covering MTLIC's universal life insurance policies and most of its deferred annuities.

To assist in the monitoring of MTLIC's compliance with the DPP, the DPP requires MTLIC to obtain a report from an independent actuary regarding MTLIC's compliance with the requirements of the DPP every three years. The report must be provided to the Board of Directors of MTLIC and, during the term of its existence, the Advisory Board.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

Scope of Summary

The following is a summary of the United States federal income tax consequences of the Merger and the Subsequent Merger. This summary is for general information only, and it is not intended to be a complete discussion of all tax consequences that may be relevant to a particular MTL Member. Additionally, this summary does not address any foreign, federal estate, state, or local tax consequences of the Mergers. Accordingly, each MTL Member may wish to consult a tax advisor to determine the federal estate, state, local, and any applicable foreign tax consequences of the Mergers.

Consequences to MTL Members

MTL Members will not recognize gain or loss on the termination of a membership interest in MTL and the accompanying receipt of a membership interest in Pan-American, in each case, in connection with the Merger. The holding period that a MTL Member will have in its Pan-American membership interest will include the period the MTL Member held its membership interest in MTL (provided the membership interest was held at the Effective Time as an asset on which capital gain or loss would be recognized on disposition). In addition, in accordance with the IRS's ruling position, a MTL Member will have a tax basis (or tax cost) of zero in its Pan-American membership interest.

The federal income tax treatment of policyholders of certain life insurance and annuity policies has been changed significantly by a number of different tax laws since 1981. These tax legislative changes generally have been applied on a prospective basis so that the prior tax treatment of policies issued, purchased, or entered into before some effective date associated with the legislative consideration of such change would not have been affected by such change. The Mergers will not cause any policy issued by MTLIC to be treated as newly issued, purchased or entered into, and the Mergers will not require testing or the start of new test periods for contracts for purposes of determining whether each policy is treated as life insurance, an annuity, or a modified endowment contract, or whether policy loan interest is deductible. Thus, if a policy was issued before changes in the federal income tax treatment of newly issued policies of the same type became effective, the treatment of that policy under the prior tax law will not be adversely affected by the Mergers.

With respect to those MTL Members who hold policies that are individual retirement annuities or tax sheltered annuities, or are otherwise part of a tax-qualified retirement funding arrangement, the Mergers will not adversely affect the tax-favored status of such policies, and the Mergers will not result in current federal income or excise taxes for the holders of such policies. Moreover, the Mergers will not be treated as causing a contribution or distribution that would result in additional taxes or penalties or be subject to withholding taxes for holders of such policies under the Code.

Consequences to MTL, MTL Holdings, Pan-American and PALIG

MTL and MTL Holdings will not recognize any taxable income as a result of either the Merger or the Subsequent Merger, except that certain previously deferred gains and losses on intercompany transactions between and among MTL and its subsidiaries may be required to be taken into account as gain or loss, as the case may be, as a result of the transactions. Pan-American and PALIG also will not recognize any taxable income as a result of either the Merger or the Subsequent Merger.

REGULATORY MATTERS

General

MTL, a mutual insurance holding company organized under Illinois law, is subject to the regulation and supervision of the State of Illinois. The Merger is subject to review by, and the approval of, the Illinois Director pursuant to the requirements of Article X of the Illinois Insurance Code, 215 ILCS 5/Art. X. The Merger is further subject to the review by, and approval of, the Louisiana Commissioner because Pan-American is a mutual insurance holding company organized under Louisiana law.

Pursuant to the Merger Agreement, MTL will be merged with and into Pan-American, with Pan-American being the surviving company. Immediately following the Merger, MTL Holdings will be merged with and into PALIG, with PALIG being the surviving company.

After the Mergers, Pan-American will continue to be subject to the supervision of the Louisiana Commissioner to ensure that both member and policyholder interests of the policyholders are protected. Pan-American is not a licensed insurance company and, therefore, does not have the authority to directly engage in the business of insurance; however, as a mutual insurance holding company, Pan-American will continue to be subject to regulation by the Louisiana Department of Insurance pursuant to the provisions of the Louisiana Insurance Code applicable to mutual insurance holding companies.

Upon the Mergers, MTLIC will be a direct subsidiary of PALIG. In connection with the Mergers, MTLIC will change its name to Mutual Trust Life Insurance Company. MTLIC will continue to be an Illinois-domiciled stock insurer subject to ongoing insurance regulation by the Illinois Director.

Surviving Mutual Holding Company Assets to Satisfy Claims of Policyholders

Pan-American would automatically be a party in the event of any insolvency or delinquency proceedings brought against (i) PALIC under Chapter 9 of the Louisiana Insurance Code (La. Rev. Stat. Sections 22:2001 to 22:2044) or (ii) MTLIC under Article XIII of the Illinois Insurance Code (215 Ill. Comp. Stat. 5/187 to 5/221). If necessary, the assets of Pan-American may be deemed to be assets of PALIC or MTLIC for purposes of satisfying the claims of their policyholders. This means that, in the unlikely event that either PALIC or MTLIC could not satisfy the claims of its policyholders, the assets of Pan-American could be used to satisfy such claims. These assets might in the future include the stock of other subsidiaries and/or funds or securities held at the Pan-American level.

Dissolution or Liquidation of Surviving Mutual Holding Company

Pan-American may not dissolve or liquidate without the approval of the Louisiana Commissioner or as ordered by a district court pursuant to Louisiana law. In the event of the ultimate dissolution or liquidation of Pan-American, any surplus which remains at the time of such dissolution or liquidation after payment of the liabilities of Pan-American would be distributed to the members of Pan-American (which would include eligible policyholders of

PALIC and eligible policyholders of MTLIC) in a manner determined by the Board of Directors of Pan-American and approved by the Louisiana Commissioner.

Affiliated Transactions

Any material transaction between MTLIC and any of its affiliates must, among other things, be on terms which are fair and reasonable. Certain transactions involving MTLIC may not be entered into until 30 days after the Illinois Director has received, for review, written notice of the insurer's intention to enter into the transaction and if, during that period, the Illinois Director has not disapproved the proposed transaction. The transactions requiring such prior notice include (i) sales, purchases, exchanges of assets, loans, or extensions of credit, guarantees, investments or any other transaction, except dividends, that involves the transfer of assets from or liabilities to a company (A) equal to or exceeding the lesser of 3% of the company's admitted assets or 25% of its surplus as regards policyholders, in each case, as of December 31 of the preceding year or (B) that is proposed when MTLIC is not eligible to declare and pay a dividend or other distribution pursuant to the provisions of Section 27 of the Illinois Insurance Code, (ii) loans or extensions of credit to any **Person** who is not an affiliate (A) that involve the lesser of 3% of the company's admitted assets or 25% of the company's surplus, each as of December 31 of the preceding year, made with the agreement or understanding that the proceeds of such transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the company making such loans or extensions of credit or (B) that are proposed when MTLIC is not eligible to declare and pay a dividend or other distribution pursuant to the provisions of Section 27 of the Illinois Insurance Code, (iii) reinsurance agreements or modifications thereto in which the reinsurance premium or a change in the company's liabilities, or the projected reinsurance premium or a change in the company's liabilities in any of the next three years, equals or exceeds 5% of the company's policyholder surplus as of December 31 of the preceding year, (iv) management agreements, service contracts (other than agency contracts), tax allocation agreements, reinsurance allocation agreements or cost-sharing arrangements, (v) certain direct or indirect acquisitions or investments in a Person that controls the company, or in an affiliate of the company, in an amount which, together with its present holdings in such investments, exceeds 2.5% of the company's surplus as regards policyholders, and (vi) any other material transaction, specified by rule and regulation, which the Illinois Director determines might render the company's policyholder surplus unreasonable in relation to the company's outstanding liabilities and inadequate to its financial needs or may otherwise adversely affect the interests of MTLIC's policyholders or shareholders.

Similarly, other U.S. life insurance subsidiaries of Pan-American that enter into such affiliate transactions may also be required to provide prior notice to their respective state insurance regulators according to relevant insurance laws and regulations of their respective domiciliary states.

Dividends

Under Louisiana law, PALIC may not pay any extraordinary dividend or make any other extraordinary distribution to its sole shareholder, PALIG, until 30 days after the Louisiana Commissioner has received notice of the declaration of such dividend and has not within such period disapproved such payment (or the payment has been approved within such 30-day period). An extraordinary dividend or distribution, for these purposes, includes any dividend or distribution of cash or other property, whose fair market value, together with that of other dividends or distributions made within the preceding 12 months, exceeds the lesser of 10% of Pan-American's surplus as regards policyholders as of the December 31 next preceding or the net gain from operations of PALIC for the 12-month period ending the December 31 next preceding, but shall not include pro rata distributions of any class of PALIC's own securities.

As discussed elsewhere in this Policyholder Information Booklet, even if PALIC were to declare and pay dividends to PALIG, the payment thereof does not mean that the members of Pan-American would receive a dividend concurrently, or at all. See "The Mergers – Impact on Your Membership Interests – Effect of an Offering of Stock by PALIG," at page 48.

Pan-American will not, under its Amended and Restated Articles of Incorporation, be permitted to make any direct payment of dividends or any other distributions or payments of income, dividends or profits directly to members, except as provided for in the Amended and Restated Articles of Incorporation in the event of the ultimate dissolution or liquidation of Pan-American or as otherwise approved by the Louisiana Commissioner.

Risk Based Capital

As of December 31, 2014 MTLIC's RBC Ratio was 563% and PALIC's was 560%. For purposes of this paragraph, "*RBC Ratio*" with respect to a life insurance company means the ratio (expressed as a percentage) calculated as (A) the total adjusted capital of such life insurance company as shown on such life insurance company's most recently filed annual statutory statement required to be filed by it with one or more state insurance commissioners or other state insurance regulatory authorities divided by (B) the Company Action Level RBC, which can be calculated as two times the Authorized Control Level RBC as shown on such life insurance company's most recently filed annual statutory statement.

Regulatory Approvals

The following regulatory approvals are required for the Mergers to be effective:

The Hart–Scott–Rodino Antitrust Improvements Act of 1976

Under the federal HSR Act and the rules promulgated thereunder by the Federal Trade Commission, the Mergers may not be consummated until notification has been given and certain information has been furnished to the Federal Trade Commission and the Antitrust Division of the Department of Justice, and specific waiting period requirements have been satisfied. Pan-American and MTL both filed notification report forms under the HSR Act with the Federal Trade Commission and the Antitrust Division of the Justice Department on May 15, 2015, and early termination of the waiting period under the HSR Act was granted on June 1, 2015.

Illinois Department of Insurance

The Illinois Director completed her review and approved the Merger Agreement on September 29, 2015. The Illinois Director's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

Louisiana Department of Insurance

The Louisiana Commissioner also reviewed the Merger Agreement and other documents determined to be relevant. The necessary number of eligible Pan-American Members have approved the Mergers; therefore, the Louisiana Commissioner held a public hearing on September 3, 2015. Following the public hearing, the Louisiana Commissioner issued an order approving the Merger Agreement on September 25, 2015. Likewise, the Louisiana Commissioner's approval is not an endorsement of the Merger Agreement or a recommendation to vote in favor of the Mergers.

BUSINESS OF THE COMPANIES

Information about MTL

MTL is an Illinois-domiciled mutual insurance holding company that is the direct parent company of MTL Holdings. MTL had consolidated GAAP equity of approximately $299 million as of March 31, 2015. MTL and MTL Holdings are members of the Mutual Trust Group, which is based in Oak Brook, Illinois. The Mutual Trust Group is a leading provider of life insurance throughout the United States. MTLIC, the Mutual Trust Group's flagship company, commenced its operations in 1905.

MTL's primary offerings are participating whole life products, which are part of a portfolio that also includes universal life, term life and individual annuities. MTL's current focus is on addressing the life insurance needs of individuals throughout the United States (except New York) through a network of independent life insurance agents. MTL's products have been designed to appeal to the emerging and mass affluent markets.

In 2014, new sales for MTL, as measured by premium were $68.7 million, and 2014 premium, net of reinsurance, totaled $174.4 million on a statutory accounting basis.

Information about Pan-American

The information that follows about Pan-American and its subsidiaries was provided by Pan-American.

Description of the Business

Pan-American is a Louisiana-domiciled mutual insurance holding company that is the direct parent company of PALIG. Pan-American had consolidated GAAP equity of approximately $679 million as of March 31, 2015. Pan-American and PALIG are members of the Pan-American Life Insurance Group (the "*Pan-American Group*"), which is based in New Orleans, Louisiana. The Pan-American Group is a leading provider of insurance and financial services throughout the Americas. PALIC, the Pan-American Group's flagship company, commenced its operations in 1911. The Pan-American Group's member companies offer individual and/or group life, accident and health insurance throughout Latin America and the Caribbean. The Pan-American Group has branches and affiliates in Costa Rica, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, and 13 Caribbean countries, including Barbados, Cayman Islands, Curacao and Trinidad and Tobago.

Global Life

Pan-American's global life business offers individual life coverage with a focus on universal life as part of a portfolio that also includes whole life and term life, individual personal accident in select countries, and annuities in the Caribbean region. The current focus of Pan-American's global life business is to address the life insurance needs of individuals throughout Latin-America and the Caribbean and non-U.S. nationals through the U.S. Foreign National Program (private client life). Global life's target markets are:

- emerging and affluent, middle and high income segments in Latin-America and the Caribbean; and

- high net worth individuals in Pan-American Group's private client life segment.

In 2014, new sales for Pan-American's global life business amounted to $36.3 million, and premium totaled $260.5 million.

International Group

Pan-American's international group operations offers group health, group life, group accident and health and group pension products. In addition, Pan-American's international group business offers products for individuals in Pan-American's Latin-American and Caribbean markets, including: private client (individual) major medical, individual accident and health, credit life and individual health products, among others. The distribution channels for Pan-American's international group business include major international brokers, as well as local brokers; and Pan-American additionally conducts direct marketing through sponsoring organizations.

Recent growth in Pan-American's international group business has been driven by the acquisition of certain of ALICO's operations in Panama, Costa Rica and the Caribbean in 2012, as well as organic growth. The organic growth in Latin America is attributable to the region's relative high growth rates in certain markets, aided by Pan-American's enduring presence and strong position in these markets. In addition, during the last five-year period, Pan-American has invested in this business by commencing operations in Costa Rica and Mexico and launching its private client (individual) major medical initiative. In 2014, sales for Pan-American's international group business totaled $247.5 million with premium of $260.4 million.

Domestic Group

Pan-American's domestic group business is sold to small, mid-sized and large employers. The group products offered by Pan-American include limited benefit coverages and related ancillary services, as well as accident coverages, including occupational accident, medical accident, travel accident and specialty accident, along with supplemental medical expense coverage. Pan-American also offers specific and aggregate excess of loss coverage for self-funded employee welfare benefit plans. In Puerto Rico, Pan-American offers major medical coverage, group dental coverage, and group limited benefit coverage, along with ancillary products.

In 2014, Pan-American had sales in its domestic group of $173.9 million with premium of $217.7 million.

Operations of Pan-American and Subsidiaries following the Merger

The parties have jointly prepared and agreed on the form of an operating plan, which reflects the parties' current intent with regard to the operation of the United States life and annuity operations for the subsidiaries of the Surviving Mutual Holding Company during a four-year period from and after the Effective Time.

The officers of Pan-American's subsidiaries, as well as MTL's subsidiaries (excluding MTLIC), will immediately after the Merger continue to hold their respective offices that were held prior to the Merger. All subsidiaries of the Surviving Mutual Holding Company will remain domiciled in the states in which they are domiciled as of the Effective Time, unless and until the Board of Directors of the Surviving Mutual Holding Company and the Board of Directors of the subsidiary seeking to change its domicile authorize such change of domicile and the requisite regulatory approvals have been obtained.

AVAILABLE INFORMATION

MTL is organized in Illinois and is subject to Illinois laws and regulations applicable to mutual insurance holding companies. In accordance with those laws and regulations, MTL files financial reports and other public information with the Illinois Department of Insurance. The publicly available financial reports and other information regarding MTL can be inspected at the offices of the Illinois Department of Insurance at 320 West Washington Street, Springfield, Illinois 62767, during normal business hours.

This Policyholder Information Booklet is also available on MTL's website at *www.mutualtrust.com*. Any MTLIC Policyholder who has questions about this Policyholder Information Booklet may call the MTL Information line at (800) 323-7320, extension 5060, Monday through Friday from 9:00 a.m. to 5:00 p.m., Central Time.

Pan-American is subject to the laws and regulations of the State of Louisiana applicable to mutual insurance holding companies and therefore is required to file financial reports and other information with the Louisiana Department of Insurance. The publicly available financial reports and other information regarding Pan-American can be inspected at the offices of the Louisiana Department of Insurance at 1702 North Third Street, Baton Rouge, Louisiana 70802, during normal business hours.

Pan-American has filed an application for approval of the Merger Agreement and related documents (the "*Illinois Filing*") with the Illinois Director in compliance with Article X of the Illinois Insurance Code, 215 ILCS 5/Art. X. The Illinois Filing describes the proposed Mergers and contains information required by the laws of the State of Illinois.

Pan-American has also filed an application for approval of the Merger Agreement and related documents (the "*Louisiana Filing*") with the Louisiana Department of Insurance in accordance with the laws and regulations of the State of Louisiana applicable to mutual insurance holding companies seeking to merge. The Louisiana Filing describes the proposed Mergers and contains information required by the laws of the State of Louisiana.

This Policyholder Information Booklet does not contain all of the information set forth in the Merger Agreement or exhibits attached thereto. Such additional information may be obtained as indicated in the preceding paragraphs. Statements contained in this Policyholder Information Booklet or in any document incorporated in this Policyholder Information Booklet by reference as to the contents of any contract or other document referred to herein or therein are not necessarily complete and in each instance, where reference is made to the copy of such contract or other document filed as an exhibit to the Merger Agreement or such other document, each such statement is qualified in all respects by such reference.

GLOSSARY OF SELECTED TERMS

The following are explanations of selected terms used in this Policyholder Information Booklet.

Alternative Significant Transactions.	Any demutualization, conversion, acquisition, business combination, sale, affiliation or other transfer of all or substantially all of the assets of Pan-American (by reinsurance or otherwise) or other transaction that results in a change in control of Pan-American (including a material change in the composition of the Board of Directors of Pan-American in connection with or as a result of the consummation of such transaction).
Burdensome Condition.......................	Any condition imposed in connection with a Required Regulatory Approval that (a) with respect to MTL, would result in a Surviving Mutual Holding Company Adverse Effect or (b) with respect to Pan-American, would (i) result in a Surviving Mutual Holding Company Adverse Effect or (ii) require (x) any Pan-American insurer (excluding, for the avoidance of doubt, MTLIC), after the Effective Time, to maintain a capital or RBC level that is in excess of its capital or RBC level as of the date of the Merger Agreement or (y) MTLIC, after the Effective Time, to maintain an RBC level in excess of 400% of the company action level RBC.
Material Adverse Effect	Any material adverse effect on the business, financial condition or results of operations of the party and its subsidiaries, taken as a whole, other than any effects resulting from any of the following: (i) general political, legislative, economic or financial market conditions or securities, credit, financial or other capital markets conditions or changes (including interest rate changes); (ii) the commencement, continuation or escalation of actions or war, armed hostilities, sabotage, acts of terrorism, or other man-made disaster; (iii) changes, circumstances or events generally affecting the life, property, marine and casualty insurance, annuities industries and reinsurance industry in the geographic areas and product markets in which the party or its subsidiaries conduct business; (iv) the result of any earthquake, hurricane, tsunami, tornado, windstorm, epidemic or other natural disaster; (v) any change in any applicable laws; or (vi) any change in GAAP or SAP, except in the case of the foregoing clauses (i) through (vi) to the extent those events,

	circumstances, changes or effects have a disproportionate effect on such party and its subsidiaries compared to other companies of similar size operating in the life insurance and annuities industries and geographic regions in which the party and its subsidiaries operate (ii) any effects resulting from the announcement or existence of terms of the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, cedents, reinsureds, retrocessionaires, reinsurance brokers or intermediaries, suppliers, vendors, lenders, venture partners or employees.
Person..	An individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, association, joint stock company, governmental entity, business trust, unincorporated organization or other entity.
Reorganization Proposals..................	Other than the transactions contemplated by the Merger Agreement, (a) any offer, proposal or inquiry relating to, or any third party indication of interest in, (i) any acquisition or purchase, direct or indirect, of all or a significant amount of the consolidated assets of the applicable party and its subsidiaries (other than Investment Assets), (ii) a merger, consolidation, business combination, reorganization, recapitalization, demutualization, bulk or assumption reinsurance arrangement involving all or a significant portion of insurance liabilities, liquidation, dissolution or other similar transaction involving the applicable party or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 15% of the consolidated assets of the applicable party or (iii) any other transaction having a similar effect to those described in clauses (i) and (ii) and (b) any intervention, appeal, participation or other similar action of any third party in any regulatory process related to the transactions contemplated by the Merger Agreement, including any hearing, argument, presentation to a regulator or administrative or governmental body or other proceeding in connection with obtaining regulatory or governmental approval of the Mergers.
Superior Proposal	A bona fide written Reorganization Proposal defined under clause (a) of the definition of Reorganization

Proposal, that MTL's Board of Directors has determined in its good faith judgment, after consultation with its financial advisor and outside legal counsel, and after taking into account all relevant legal, regulatory, financial (including ratings and capital position), economic and other aspects of such proposal (including the conditionality of such proposal, the ability of the Person(s) making such proposal to obtain all relevant approvals and otherwise to satisfy all relevant conditions to the consummation of the transaction contemplated by such proposal and any financing arrangements required to facilitate the consummation of such transaction), is more favorable to the members of MTL than the Mergers and the transactions contemplated by the Merger Agreement; provided that, for the purpose of this definition, the reference to 15% in the definition of Reorganization Proposal shall be deemed to be references to 50%.

<u>EXHIBIT A</u>

<u>Merger Agreement</u>

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

BETWEEN

PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

AND

MUTUAL TRUST HOLDING COMPANY

Dated as of April 7, 2015

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EXHIBITS

DISCLOSURE SCHEDULES

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of April 7, 2015, by and between Pan-American Life Mutual Holding Company, a Louisiana mutual insurance holding company ("Pan-American"), and Mutual Trust Holding Company, an Illinois mutual insurance holding company ("MTL") (Pan-American and MTL being hereinafter sometimes collectively referred to as the "Parties").

RECITALS

WHEREAS, the Boards of Directors of Pan-American and MTL deem it advisable and in the best interests of their respective Members and Policyholders to consummate the business combination transaction provided for herein in which MTL will be merged with and into Pan-American (the "Merger"), with Pan-American being the surviving company in the Merger (the "Surviving Mutual Holding Company") upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Boards of Directors of MTL Holdings Inc., a Delaware corporation and a wholly owned subsidiary of MTL ("MTL Holdings"), and Pan-American Life Insurance Group, Inc., a Louisiana corporation and wholly owned subsidiary of Pan-American ("PALIG"), deem it advisable and in the best interests of their respective Policyholders, immediately following the Merger, to consummate a subsequent merger whereby MTL Holdings will be merged with and into PALIG (the "Subsequent Merger"), with PALIG being the surviving company in such merger (the "Intermediate Holding Company," and the Subsequent Merger and the Merger, collectively, the "Mergers") upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Pan-American and MTL both desire to combine their mutual holding company structures so that their respective Members and Policyholders will become members and policyholders of a larger, and financially stronger, mutual insurance holding company structure;

WHEREAS, the Parties intend that Policyholders of Pan-American Life Insurance Company ("PALIC") and MTL Insurance Company ("MTLIC") will continue to be entitled to the rights and privileges set forth in their existing insurance policies and annuity contracts;

WHEREAS, the Parties intend that the reasonable dividend expectations of certain Policyholders of MTLIC shall be protected pursuant to a statement of dividend principles and practices (the "Statement of Dividend Principles") that sets forth the policies and practices that PALIG will apply to certain Policyholders of MTLIC; and

WHEREAS, Pan-American and MTL intend that each of the Merger and the Subsequent Merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder ("Treasury Regulations"), and, by approving resolutions authorizing this Agreement, to adopt this Agreement as a "plan of reorganization" within the meaning of Section 368(a) of the Code and the Treasury Regulations.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE I.
THE MERGER

Section 1.1. The Merger. Upon the terms of this Agreement and subject to the satisfaction or waiver of the conditions set forth in Article VII hereof, at the Effective Time (as defined below): (i) MTL shall be merged with and into Pan-American in accordance with applicable provisions of the Laws of the State of Illinois and the Laws of the State of Louisiana; (ii) the separate existence of MTL shall thereupon cease; and (iii) the Surviving Mutual Holding Company shall continue its corporate existence under the Laws of the State of Louisiana. From and after the Effective Time, the Surviving Mutual Holding Company shall possess all of the assets and other rights, privileges, immunities, powers and purposes of each of MTL and Pan-American and shall be liable for all the liabilities of MTL and Pan-American, all to the full extent provided by Law.

Section 1.2. Subsequent Merger. Immediately after the Effective Time, (i) MTL Holdings shall be merged with and into PALIG in accordance with applicable provisions of the Laws of the State of Delaware and the Laws of the State of Louisiana; (ii) the separate existence of MTL Holdings shall thereupon cease; and (iii) PALIG shall continue its corporate existence under the Laws of the State of Louisiana as the Intermediate Holding Company. From and after the Subsequent Merger Effective Time (as defined below), the Intermediate Holding Company shall possess all of the assets and other rights, privileges, immunities, powers and purposes of each of MTL Holdings and PALIG and shall be liable for all the liabilities of MTL Holdings and PALIG, all to the full extent provided by Law.

Section 1.3. Closing. Unless this Agreement shall have been terminated pursuant to Sections 8.1, 8.2, 8.3 or 8.4 and subject to the satisfaction or waiver of each of the conditions set forth in Article VII hereof, the closing of the Mergers (the "Closing") shall take place at 10:00 a.m. Eastern Time on the date that is the second Business Day following the date on which the last to be fulfilled or waived of the conditions set forth in Article VII hereof (other than those conditions that by their nature are required to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) shall be fulfilled or waived in accordance with this Agreement, unless another date or time is agreed to in writing by the Parties (the date of the Closing, the "Closing Date"). The Closing shall be held at Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019 or such other place agreed to in writing by the Parties.

Section 1.4. Effective Time. Subject to the provisions of this Agreement, on the Closing Date, Pan-American and MTL shall file the IL Certificate of Merger and the LA Certificate of Merger (collectively, the "Certificates of Merger") relating to the Merger as contemplated under Illinois Law and Louisiana Law with the Secretary of State of the State of Illinois and the Secretary of State of the State of Louisiana, as applicable (collectively, the "Secretaries of State"). The Merger shall become effective at the later of such time as (i) the

Certificates of Merger are duly filed with the Secretaries of State on the Closing Date, or at such other time as Pan-American and MTL shall agree and specify in the Certificates of Merger, and (ii) a certificate of merger or a certificate of consolidation is issued by the proper official of the State of Louisiana and filed with and approved by the Director of the Illinois Department of Insurance, as contemplated under Illinois Law. As used herein, the "Effective Time" shall mean the time at which the Merger shall become effective. Immediately following the Effective Time, the Surviving Mutual Holding Company shall file the Intermediate Certificates of Merger relating to the Subsequent Merger as contemplated under Delaware Law with the Secretary of State of the State of Delaware and Louisiana Law with the Secretary of State of the State of Louisiana. The Subsequent Merger shall become effective at such time as the Intermediate Certificates of Merger are duly filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Louisiana on the Closing Date, or at such other time as Pan-American and MTL shall agree and specify in the Intermediate Certificates of Merger. As used herein, the "Subsequent Merger Effective Time" shall mean the time at which the Subsequent Merger shall become effective.

Section 1.5. Articles and By-laws of the Surviving Mutual Holding Company. At the Effective Time, the articles of incorporation and by-laws of Pan-American shall be amended and restated to be in the forms set forth as Exhibit 1.5(a) (the "MHC Articles") and Exhibit 1.5(b) (the "MHC By-laws") to this Agreement, and the MHC Articles and MHC By-laws, as so amended and restated, shall after the Effective Time continue in full force and effect until thereafter changed or amended in accordance with the terms thereof and Louisiana Law. At the Effective Time immediately upon the Subsequent Merger, the articles of incorporation and by-laws of the Intermediate Holding Company shall be amended and restated to be in the forms set forth as Exhibit 1.5(c) (the "IHC Articles") and Exhibit 1.5(d) (the "IHC By-laws") to this Agreement, and the IHC Articles and IHC By-laws, as so amended and restated, shall after the Effective Time continue in full force and effect until thereafter changed or amended in accordance with the terms thereof and Louisiana Law.

Section 1.6. Members' Rights and Interests in Surviving Mutual Holding Company. At the Effective Time, the rights and interests of each Existing MTL Member shall, by virtue of the Merger and without any action on the part of any Existing MTL Member, be converted into corresponding rights and interests in the Surviving Mutual Holding Company as a Member of the Surviving Mutual Holding Company. At the Effective Time, the rights and interests of each Pan-American Member shall, by virtue of the Merger and without any action on the part of any Pan-American Member, remain as rights and interests as a Member of the Surviving Mutual Holding Company.

Section 1.7. Boards of Directors of Surviving Mutual Holding Company and Intermediate Holding Company.

(a) Surviving Mutual Holding Company Board of Directors. From and after the Effective Time, the number of persons constituting the entire Board of Directors of the Surviving Mutual Holding Company (the "MHC Board") shall initially be twelve (12) consisting of: (x) a total of nine (9) persons (the "Pan-American MHC Designees") to be designated as provided herein by Pan-American and, after the Effective Time, the MHC By-laws and (y) three (3) persons (the "MTL MHC Designees") to be designated as provided herein by MTL and, after the Effective Time, the MHC By-laws. As of the Effective Time, at least six of the Pan-American MHC Designees and at least two of the MTL MHC Designees shall be Independent Directors, and the third MTL MHC Designee shall be the Chief Executive Officer of MTL immediately prior to the Effective Time. Prior to the date on which the Parties mail their respective information statements to Members in accordance with Section 2.3, Pan-American shall provide in writing to MTL the names of the Pan-American MHC Designees to serve as directors as of the Effective Time, and MTL shall provide in writing to Pan-American the names of the MTL MHC Designees to serve as directors as of the Effective Time. If, prior to the Effective Time, any of the Pan-American MHC Designees or MTL MHC Designees shall decline or be unable to serve as a director, Pan-American (if such Person was a Pan-American MHC Designee) or MTL (if such Person was an MTL MHC Designee) shall designate another Person to serve in such Person's stead who shall be reasonably satisfactory to the other Party. Such replacement director shall be an Independent Director if the Person he or she is replacing was an Independent Director. The MHC By-laws shall provide for additional procedures and provisions relating to the MHC Board arising after the Effective Time.

(b) Intermediate Holding Company Board of Directors. From and after the Subsequent Merger Effective Time, the number of directors constituting the entire Board of Directors of the Intermediate Holding Company (the "IHC Board") shall initially be twelve (12) consisting of: (x) the same nine (9) persons that are then serving as Pan-American MHC Designees and (y) the same three (3) persons then serving as MTL MHC Designees.

(c) Subsidiary Board of Directors. From and after the Subsequent Merger Effective Time, (i) the number of directors constituting the entire Board of Directors of PALIC shall initially be twelve (12) consisting of: (x) the same nine (9) persons that are then serving as Pan-American MHC Designees and (y) the same three (3) persons then serving as MTL MHC Designees and (ii) the number of directors constituting the entire Board of Directors of MTLIC shall initially be fourteen (14) consisting of: (x) the same nine (9) persons that are then serving as Pan-American MHC Designees, (y) the same three (3) persons then serving as MTL MHC Designees, one of whom shall be a resident of the State of Illinois, and (z) two (2) additional persons designated by Pan-American prior to the Effective Time who are each employees of MTL and residents of the State of Illinois. Such employees of MTL who are designated as directors of MTLIC shall receive the same level of indemnification as is provided to the other directors of MTLIC following the Effective Time (whether pursuant to this Agreement, MTLIC's Organizational Documents, separate indemnification agreements or otherwise).

Section 1.8. Advisory Board.

(a) Immediately after the Effective Time until the seventh anniversary of the Effective Time, there shall be established an advisory board to MTLIC (the "Advisory Board") initially comprising the persons who were directors of MTL immediately prior to the Effective Time, except directors of MTL who are MTL MHC Designees; provided that upon the seventh anniversary of the Closing Date, the term of the Advisory Board shall be automatically extended until no later than the tenth anniversary of the Closing Date unless the MHC Board approves the dissolution and discontinuance of the Advisory Board. The Advisory Board shall meet no less frequently than quarterly during the first twelve (12) month period following the Effective Time and shall, pursuant to the Advisory Board Charter attached as Exhibit 1.8(a) hereto, provide advice to the Board of Directors and management of MTLIC and the Surviving Mutual Holding Company and provide recommendations with respect to the business and operations of MTLIC. The Advisory Board shall not have the right to approve or initiate any actions on behalf of MTLIC or the Surviving Mutual Holding Company, and MTLIC and the Surviving Mutual Holding Company shall be under no obligation to accept any recommendations of the Advisory Board, except to the extent provided in the Statement of Dividend Principles. The members of the Advisory Board shall receive remuneration for their services equivalent to the remuneration currently provided to non-employee directors of MTLIC. In the event of a vacancy on the Advisory Board, the remaining members of the Advisory Board shall determine, subject to the approval of the Surviving Mutual Holding Company (which approval shall not be unreasonably withheld, delayed or conditioned), whether to fill such vacancy and may fill such vacancy by nominating a successor member satisfactory to MTLIC. Any such successor member of the Advisory Board must have been an Existing MTL Member. The creation of the Advisory Board and all undertakings described in this Section 1.8 (including any decision, action, inaction, and/or conclusion of the Advisory Board) is intended to and shall be considered an integral component of the merger consideration provided to Existing MTL Members in connection with this Agreement.

(b) From and after the Effective Time, the members of the Advisory Board shall be third party beneficiaries of this Agreement for the sole purpose of having the full right to enforce the rights of the Existing MTL Members (in their capacity as such) under the provisions of this Agreement that survive the Effective Time pursuant to Section 9.1. In furtherance of the foregoing, by virtue of the Members' adoption and approval of this Agreement, the Members of MTL irrevocably nominate, constitute and appoint the Advisory Board, as of the Effective Time and without any further act of such Members, as their representative and as true and lawful attorney-in-fact and agent, with full power of substitution or resubstitution, for and on behalf of each such Member for purposes of enforcing such provisions of this Agreement, including Section 1.5 through Section 1.9, Section 1.11 through Section 1.13, Section 3.1, Section 6.10(b) and Section 9.8 (the "Specified Provisions"). The Parties agree that, in furtherance of its rights under this Section 1.8, the Advisory Board shall have the power to retain and appoint a reasonable number of legal and other advisors at a reasonable cost to advise it and to transact matters of litigation or arbitration in connection with and arising out of this Agreement, including agreeing to, negotiating, entering into settlements and compromises of, complying with orders of courts with respect to, and otherwise administering and handling any claims under this Agreement in connection with its enforcement rights; provided that MTLIC shall be responsible for all reasonable and documented out-of-pocket expenses incurred by the Advisory Board in connection with litigation or arbitration arising out of this Agreement pursuant to the rights contemplated by this Section 1.8(b). Notwithstanding the foregoing, the members of the Advisory Board shall incur no liability with respect to any action taken or suffered by the Advisory Board or by any such member in the performance of his or her rights as a member of the Advisory Board or for any other action or inaction taken or omitted to be taken by the Advisory Board or any such member in the performance of his or her rights as a member of the Advisory Board if such member acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Existing MTL Members and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. MTLIC shall indemnify each member of the Advisory Board (in its capacity as such) against, and to hold each member of the Advisory Board (in its capacity as such) harmless from, any and all Losses of whatever kind which may at any time be imposed upon, incurred by or asserted against any member of the Advisory Board in such capacity in any way relating to or arising out of or in connection with the acceptance or administration of the rights of the Advisory Board hereunder, including the reasonable and documented out-of-pocket fees and expenses of any legal counsel retained by the Advisory Board or any member thereof if such member acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Existing MTL Members and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(c) Upon the Effective Time, and as applicable thereafter, MTLIC shall execute and deliver indemnification agreements with each initial member of the Advisory Board, and any subsequent members thereof, in substantially the form attached as Exhibit 1.8(c) hereto.

Section 1.9. Executive Officers.

(a) The persons listed on Exhibit 1.9(a) hereto shall hold the executive office(s) in the Surviving Mutual Holding Company and the Intermediate Holding Company set forth next to their names upon the Effective Time, in the case of the Surviving Mutual Holding Company, and the Subsequent Merger Effective Time, in the case of the Intermediate Holding Company.

(b) Except as noted on Exhibit 1.9(a), the officers of PALIC and its Subsidiaries and of MTLIC immediately prior to the Effective Time shall be the officers of Pan-American and its Subsidiaries (excluding MTLIC) and of MTLIC, respectively, at and immediately following the Effective Time, and such officers shall continue to hold their respective offices until a successor is recommended and duly elected and qualified, or such officer's earlier death, resignation or removal. In such capacity and subject to the oversight of the Surviving Mutual Holding Company, such officers of MTLIC will be responsible for the day-to-day operation of MTLIC's business from and after the Effective Time, including: (i) oversight of the products, markets, distribution methods and service standards that are necessary to execute the strategy of growing MTLIC's Individual Life insurance business; (ii) with respect to actions that may impact the Existing MTL Members and existing Policyholders of MTLIC; and (iii) personnel decisions with respect to the ongoing operations of MTLIC but not including personnel decisions generally affecting the Surviving Mutual Holding Company and its Subsidiaries (including MTLIC). Pan-American acknowledges that subsequent changes at the Chief Executive Officer, Senior Vice President and Vice President levels of MTLIC are subject to the change-of-control severance agreements set forth in Section 1.9(b) of the MTL Disclosure Schedule.

Section 1.10. Employee Matters.

(a) During the twenty-four (24) month period immediately following the Effective Time, the Surviving Mutual Holding Company shall not, and shall cause each of its Subsidiaries not to, actually or constructively terminate the employment of, including by reason of a geographic relocation of more than fifty (50) miles, or materially change the compensation, employee benefits (except as contemplated by Section 1.10(b) below) or other terms of employment of, any individual employed by MTL or any MTL Subsidiary (an "Affected Employee"), in each case, as in effect immediately prior to the Effective Time where such change is adverse to any such Affected Employee, except to the extent such Affected Employee engages in conduct that constitutes cause (in the good faith determination of the Surviving Mutual Holding Company) or on account of such Affected Employee's death, disability or voluntary resignation, or in the event of a material deterioration of the financial condition of the Surviving Mutual Holding Company and its Subsidiaries (taken as a whole).

(b) Notwithstanding the terms of Section 1.10(a) above, the Surviving Mutual Holding Company may, in its discretion, at any time at or after the Effective Time, terminate any MTL Benefit Plan and cause the Affected Employees to be eligible to participate in any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) and any other employee benefit plan, program, policy or arrangement maintained by the Surviving Mutual Holding Company or any of its Subsidiaries, provided that for the twenty-four (24) month period immediately following the Effective Time, the Affected Employees will receive substantially similar employee benefits, in the aggregate, to those provided by MTL prior to the Effective Time. Notwithstanding anything herein to the contrary, for the twenty-four (24) month period following the Effective Time, the Surviving Mutual Holding Company shall continue to maintain in effect without modification (unless otherwise required by Law) the disability insurance policy set forth in Section 1.10(b) of the MTL Disclosure Schedule. For purposes of determining eligibility to participate, level of benefits and vesting under any employee benefit plan, program, policy or arrangement maintained by the Surviving Mutual Holding Company or any of its Subsidiaries, including any vacation, paid time off and severance plans, the Surviving Mutual Holding Company shall cause each Affected Employee's service with or otherwise credited by MTL or any MTL Subsidiary to be treated as service with the Surviving Mutual Holding Company or any of its Subsidiaries, to the same extent credited under comparable MTL Benefit Plans; provided, however, that such service need not be recognized for accruals under any defined benefit pension plan or to the extent that such recognition would result in any duplication of benefits or would not have been recognized under the comparable MTL Benefit Plan immediately prior to the Effective Time.

(c) The Surviving Mutual Holding Company shall, or shall cause its Subsidiaries to, waive, or cause to be waived, any pre-existing condition limitations, exclusions, actively at work requirements and waiting periods under any welfare benefit plan maintained by the Surviving Mutual Holding Company or any of its Subsidiaries in which the Affected Employees (and their eligible dependents) will be eligible to participate during the calendar year in which the Effective Time occurs, except to the extent that such pre-existing condition limitations, exclusions, actively-at-work requirements and waiting periods would not have been satisfied or waived under the comparable MTL Benefit Plan immediately prior to the Effective Time. From and after the Effective Time, the Surviving Mutual Holding Company shall recognize, or cause to be recognized, the dollar amount of all co-payments, deductibles and similar expenses incurred by each Affected Employee (and his or her eligible dependents) during the calendar year in which the Effective Time occurs for purposes of satisfying such year's deductible and co-payment limitations under the relevant welfare benefit plans in which such Affected Employee (and dependents) will be eligible to participate during the calendar year in which the Effective Time occurs.

(d) Notwithstanding the foregoing, nothing contained herein shall (i) be treated as an amendment of any employee benefit plan or any other arrangement or create any rights or obligations except between the parties hereto, (ii) give any employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof or any other third person any right to enforce the provisions of this Section 1.10 or entitle any person not a Party to this Agreement to assert any claim hereunder, or (iii) obligate the Surviving Mutual Holding Company or any of its Affiliates to (A) maintain any particular benefit plan, or (B) retain the employment of any particular employee.

Section 1.11. Locations of MTLIC Headquarters. From the Effective Time until at least the fifth anniversary of the Effective Time, MTLIC shall continue to operate out of the executive offices in Illinois as specified on Schedule 1.11.

Section 1.12. Subsidiary Arrangements. Following the Effective Time, all Subsidiaries of the Surviving Mutual Holding Company shall remain domiciled in the states in which they are domiciled as of the Effective Time, unless and until the Board of Directors of the Surviving Mutual Holding Company and the Board of Directors of the Subsidiary seeking to change its domicile authorize such change of domicile and the requisite regulatory approvals have been obtained.

Section 1.13. Capital Support. From the Effective Time until the fifth anniversary of the Effective Time: (a) MTLIC shall not pay any stockholder dividends or make any other similar distributions with respect to its capital stock to the Intermediate Holding Company, the Surviving Mutual Holding Company, any of their Affiliates or otherwise; and (b) the Surviving Mutual Holding Company shall otherwise cause MTLIC's RBC Ratio at all times during such period to equal or exceed 400%.

Section 1.14. Operating Plan. The Parties have jointly prepared and agreed on the form of an operating plan (the "Operating Plan"), and each agrees and acknowledges that the Operating Plan reflects the Parties' current intent with regard to the operation of the U.S. life and annuity operations for the Subsidiaries of the Surviving Mutual Holding Company during a four-year period from and after the Effective Time. For the avoidance of doubt, neither the Operating Plan nor anything to the contrary in this Agreement will restrict the ability of Pan-American and its Subsidiaries or MTL and its Subsidiaries from amending their respective investment guidelines or repositioning their respective investment portfolios after the Effective Time.

ARTICLE II.
PLAN OF MERGER

Section 2.1. Boards of Director, Member and Policyholder Approvals.

(a) (i) Pan-American represents that Morgan Stanley & Co. LLC has delivered to Pan-American's Board of Directors an opinion that the Merger is fair, from a financial point of view, to Pan-American's Members, and MTL represents that Keefe, Bruyette & Woods, Inc. has delivered to MTL's Board of Directors, an opinion that the exchange of the Existing MTL

Members' membership interests in MTL for membership interests in the Surviving Mutual Holding Company is fair, from a financial point of view, to MTL's Members, (ii) Pan-American represents that Jacqueline M. Keating and David N. Cook, actuarial consultants with the New Jersey and Omaha offices of Milliman, Inc., have delivered to Pan-American's Board of Directors, and MTL represents that Steven I. Schreiber and Dale S. Hagstrom, actuarial consultants with the New York office of Milliman, Inc., have delivered to MTL's Board of Directors, an opinion that the Merger is fair, from an actuarial point of view, to the respective Party's Policyholders and (iii) each Party represents that its Board of Directors, at a meeting duly called and held, has determined that the Merger is fair to the Members of the respective Party.

(b) As promptly as reasonably practicable after the date hereof, each of Pan-American and MTL shall take all actions necessary under applicable Law to obtain Member approval of the Merger and this Agreement.

(c) Pan-American, acting through its Board of Directors, shall, unless this Agreement is terminated in accordance with its terms, duly call, send notice of, convene and hold a special meeting of its Members, to consider and vote upon the Merger. Pan-American shall mail an information statement to its Members, and the Board of Directors of Pan-American (i) will recommend that its Members vote in favor of the Merger, (ii) will use its reasonable best efforts to solicit such Members to vote in favor of the Merger, and (iii) will take all other actions reasonably necessary or advisable to secure the votes of its Members which are required in order to approve and effect the Merger.

(d) MTL, acting through its Board of Directors, shall, unless this Agreement is terminated in accordance with its terms, duly call, send notice of, convene and hold a special meeting of its Members, to consider and vote upon the Merger. MTL shall mail an information statement to its Members, and subject to Section 6.6(b), the Board of Directors of MTL (i) will recommend that its Members vote in favor of the Merger, (ii) will use its reasonable best efforts to solicit such Members to vote in favor of the Merger, and (iii) will take all other actions reasonably necessary or advisable to secure the votes of its Members which are required in order to approve and effect the Merger.

(e) The Mergers will be consummated in accordance with the applicable laws of the State of Illinois, the State of Delaware and the State of Louisiana.

Section 2.2. Meeting Notice. Each of Pan-American and MTL shall prepare meeting notices setting forth the time, place and purpose of the Members' meetings referred to in Section 2.1 hereof, which notices shall comply with applicable Law. Each of Pan-American and MTL shall coordinate with each other and use reasonable best efforts to hold the Members' meetings referred to in Section 2.1 hereof at the same time and on the same date as the other Party.

Section 2.3. Member Information Statements.

(a) As promptly as reasonably practicable after the date hereof, Pan-American shall prepare an information statement relating to the Merger and the other transactions contemplated by this Agreement, and use reasonable best efforts to obtain and include in such information statement the information required to be included by state and federal law, including the Louisiana Insurance Code, and to submit the information statement to the Louisiana Department of Insurance. Pan-American shall comply with all applicable Laws and its Organizational Documents with respect to the publication or mailing to its Members of the meeting notice and/or information statement.

(b) As promptly as reasonably practicable after the date hereof, MTL shall prepare an information statement relating to the Merger, and the other transactions contemplated by this Agreement, and use reasonable best efforts to obtain and include in such information statement the information required to be included by state and federal law, including the Illinois Insurance Code, and to submit the information statement to the Illinois Department of Insurance. MTL shall comply with all applicable Laws and its Organizational Documents with respect to the publication or mailing to its Members of the meeting notice and/or information statement.

Section 2.4. Reasonable Best Efforts; Regulatory Approvals.

(a) Upon the terms and subject to the conditions herein provided, each of the Parties hereto agrees to use all reasonable best efforts to take, or cause to be taken, all actions to do, or cause to be done, and to assist and cooperate with the other Party hereto in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective, in the most expeditious manner reasonably practicable, the Mergers and the other transactions contemplated by this Agreement, including: (i) the actions set forth in this Article II, (ii) obtaining all necessary actions or waivers, consents, Governmental Approvals and other approvals from all appropriate Governmental Entities and other Persons and the making of all necessary registrations and filings and (iii) obtaining the opinion of counsel referred to in Section 2.5. Notwithstanding anything to the contrary contained in this Agreement, neither Party shall be obligated to take or refrain from taking nor to agree to it, its Affiliates or its Subsidiaries taking or refraining from any action nor to suffer to exist any condition, limitation, restriction or requirement that, individually or in the aggregate with any other actions, conditions, limitations, restrictions or requirements, would or would reasonably be likely to result in a Burdensome Condition with respect to such Party. In connection with the foregoing, the Parties shall make, and cause their respective Affiliates to make, all filings required by applicable Law as promptly as reasonably practicable after the date hereof in order to facilitate prompt consummation of the transactions contemplated by this Agreement and shall provide, and shall cause their respective Affiliates to provide, such information and communications to Governmental Entities as such Governmental Entities may request. Subject to applicable Laws, each of the Parties shall provide to the other Party copies of all applications or other communications to Governmental Entities in connection with this Agreement in advance of the filing or submission thereof. If any Governmental Entity requires that a hearing be held in connection with any required Governmental Approval of the transactions contemplated by this Agreement, each Party shall use its reasonable best efforts to arrange for such hearing to be held promptly after the notice that such hearing is required has been received by such Party. Subject to applicable Laws, each Party shall give the other Party reasonable prior written notice of the time and place when any meetings, telephone calls or other conferences may be held by it with any Governmental Entity in connection with the transactions contemplated by this Agreement, and the other Party will have the right to have a representative or representatives attend or otherwise participate in any such meeting, telephone call or other conference.

(b) Neither Pan-American nor MTL shall acquire any properties or assets, or (by merger, consolidation, acquisition or disposition of stock or assets or otherwise) any business or any corporation, partnership or other business organization or division, in each case, that would reasonably be expected to have the effect of materially delaying, impairing or impeding (i) the consummation of the Mergers or (ii) the receipt of any required authorization, consent, order, approval or clearance of any Governmental Entity, except, in the case of clause (ii) above, as set forth on Section 2.4(b) of the Pan-American Disclosure Schedule or MTL Disclosure Schedule, as applicable.

(c) Without limiting the generality of the foregoing, as soon as reasonably practicable after the date hereof, the Parties shall make all filings and notifications with all insurance Governmental Entities that may be or may become reasonably necessary, proper or advisable under this Agreement and applicable Laws to consummate and make effective the transactions contemplated by this Agreement, including (i) "Form A" or similar change of control applications to be filed in each jurisdiction where required by applicable insurance Laws with respect to the transactions contemplated by this Agreement and (ii) if required, an appropriate filing of a notification and report form pursuant to the HSR Act with respect to the transactions contemplated by this Agreement.

(d) From and after the date hereof, the Parties shall use their reasonable best efforts, and shall cooperate fully with each other to obtain as promptly as reasonably practicable following the date hereof all required approvals, consents, waivers or authorizations from Third Parties (other than any Governmental Entity) required in connection with the consummation of the transactions contemplated by this Agreement.

Section 2.5. Legal Opinion. As promptly as reasonably practicable after the date hereof, Pan-American shall obtain the opinion of a nationally recognized law firm satisfactory to MTL to the effect that the extinguishment of the membership interests of the Existing MTL Members and such Members becoming Members of the Surviving Mutual Holding Company should not require registration of the Surviving Mutual Holding Company's membership interests under the Securities Act or the Exchange Act.

ARTICLE III.
STATEMENT OF DIVIDEND PRINCIPLES

Section 3.1. Statement of Dividend Principles. To protect and maintain the reasonable dividend expectations of MTLIC's Present Participating Policyholders, the Parties acknowledge and agree that the principles set forth in the Statement of Dividend Principles attached as Exhibit 3.1 hereto will apply from and after the Effective Time to MTLIC's Present Participating Policyholders as of the Effective Time. To the extent not inconsistent with the MTL Post-Conversion Dividend Principles and Policy, MTLIC shall comply with the Statement of Dividend Principles with respect to the dividend scale to be established with respect to the period beginning on February 1, 2016 and ending on January 31, 2017, even if such scale is established prior to the Effective Time. Immediately following the Effective Time, the Surviving Mutual

Holding Company shall adopt the Statement of Dividend Principles, and the Statement of Dividend Principles shall supersede the MTL Post-Conversion Dividend Principles and Policy.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF PAN-AMERICAN

Except as set forth in the Pan-American Disclosure Schedule (with specific reference to the section of this Agreement to which the information stated in such Disclosure Schedule relates; provided that any fact or condition disclosed in any section of such disclosure letter in such a way as to make its relevance to another section of such disclosure letter that relates to a representation or representations made elsewhere in Article IV of this Agreement reasonably apparent shall be deemed to be an exception to such representation or representations, notwithstanding the omission of a reference or cross reference thereto) delivered to MTL prior to the execution of this Agreement, Pan-American represents and warrants to MTL as follows:

Section 4.1. Organization and Qualification.

(a) Pan-American is a mutual life insurance holding company duly organized, validly existing and in good standing under the Laws of the State of Louisiana and has full authority and corporate power to conduct its Business as it is currently being conducted. Each of the Pan-American Subsidiaries is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has full authority and corporate power to conduct its Business as it is currently being conducted. Pan-American and each of the Pan-American Subsidiaries is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its Assets owned or leased or the nature of its Business makes such qualification necessary, except for failures to be so qualified or in good standing which would not, individually or in the aggregate, have a Pan-American Material Adverse Effect. Each of the Pan-American Subsidiaries is listed in Section 4.1(a) of the Pan-American Disclosure Schedule.

(b) Each Pan-American Insurer is listed in Section 4.1(b) of the Pan-American Disclosure Schedule. Each Pan-American Insurer possesses an Insurance License in each jurisdiction in which such Pan-American Insurer is required to possess an Insurance License, except for failures to be so licensed which would not, individually or in the aggregate, have a Pan-American Material Adverse Effect. All such Insurance Licenses are in full force and effect (except for any failure to be in full force and effect that can be cured in thirty (30) days or less without material cost or expense, including costs relating to any interruption of Business) without amendment, limitation or restriction (except as can be cured as provided above), except for failures to be in full force and effect which would not, individually or in the aggregate, have a Pan-American Material Adverse Effect.

(c) Copies of the articles of incorporation and by-laws (or comparable organizational documents) of Pan-American and each of its Significant Subsidiaries have heretofore been delivered or made available to MTL, and such copies are accurate and complete as of the date hereof.

(d) Pan-American does not directly or indirectly beneficially own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity other than (i) the Pan-American Subsidiaries, (ii) as disclosed in Section 4.1(d) of the Pan-American Disclosure Schedule and (iii) Investment Assets held in the ordinary course of investment activities in accordance with its investment policies in place as of the date hereof and constituting less than five percent (5%) of the outstanding equity of the issuing entity.

(e) The minute books of Pan-American and of each of its Significant Subsidiaries with respect to periods beginning on or after January 1, 2012 have been made available to MTL. Such minute books contain a complete summary of all meetings of directors and meetings of Members and reflect all of the material actions taken by each of their respective boards of directors (including each committee thereof) and stockholders (in the case of each such Pan-American Subsidiary) or members since January 1, 2012.

(f) Neither Pan-American nor any of the Pan-American Insurers are "commercially domiciled" in any jurisdiction, or otherwise treated as domiciled in a jurisdiction, other than its respective state of domicile.

(g) Section 4.1(g) of the Pan-American Disclosure Schedule sets forth a list of each Significant Subsidiary of Pan-American.

Section 4.2. Capitalization of Subsidiaries. All of the outstanding shares of capital stock of each of the Pan-American Subsidiaries have been validly issued and are fully paid and nonassessable. There are no outstanding subscriptions, options, warrants, calls, rights, convertible securities, obligations to make capital contributions or advances, or voting trust arrangements, stockholders' agreements or other agreements, commitments or understandings of any character relating to the issued or unissued capital stock of any Pan-American Subsidiary or securities convertible into, exchangeable for or evidencing the right to subscribe for any shares of such capital stock or otherwise obligating Pan-American or any such Pan-American Subsidiary to issue, transfer or sell any such capital stock or such other securities. The name, jurisdiction of incorporation and percentages of outstanding capital stock as of the date of this Agreement owned, directly or indirectly, by Pan-American, with any liens thereon noted with respect to each Pan-American Subsidiary are set forth in Section 4.2, of the Pan-American Disclosure Schedule.

Section 4.3. Authority Relative to this Agreement.

(a) Pan-American has full authority and corporate power to execute and deliver this Agreement and, subject to receipt of necessary Governmental Approvals and Member approvals, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of Pan-American. Except for the approval of this Agreement and the Merger by the Members of Pan-American, no other corporate proceedings on the part of Pan-American are necessary to authorize this Agreement and the transactions contemplated hereby. The affirmative vote of two-thirds of the Members of Pan-American voting on the Merger is the only vote of Members of Pan-American necessary to approve this Agreement and the transactions contemplated hereby.

(b) This Agreement has been duly and validly executed and delivered by Pan-American and (assuming this Agreement is a legal, valid and binding obligation of MTL) constitutes a legal, valid and binding agreement of Pan-American enforceable against Pan-American in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at law).

Section 4.4. No Violation.

(a) The execution, delivery and performance of this Agreement by Pan-American and the consummation of the transactions contemplated hereby will not (i) constitute a breach or violation of or default under the articles of incorporation or the by-laws of Pan-American or of any of the Pan-American Subsidiaries, (ii) violate any applicable Law or Order or (iii) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the Assets of Pan-American or of any of its Subsidiaries under any of the terms, conditions or provisions of, any Contract to which Pan-American or any of its Subsidiaries is a party or to which it or any of its Assets may be subject, other than in the case of clauses (ii) and (iii), events or other matters that would not individually or in the aggregate reasonably be expected to have a Pan-American Material Adverse Effect.

(b) Other than required filings and Governmental Approvals, no consent, or filing with any Person (collectively, "Consent or Filing") is required with respect to Pan-American or any Pan-American Subsidiary in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for:

(i) the approval by two-thirds of the Members of Pan-American voting on said Merger;

(ii) the filing of this Agreement with and the approval of such by the Louisiana Director under Louisiana Insurance Law, the Illinois Director under Illinois Insurance Law or Pan-American Governmental Approvals as may be required under the Laws of other jurisdictions and are identified in Section 4.4(b) of the Pan-American Disclosure Schedule;

(iii) the filings required under the HSR Act and relevant state insurance Laws requiring pre-acquisition notification and the expiration or other termination of any waiting period applicable to the Merger under such Laws; and

(iv) any Consent or Filing that is disclosed in Section 4.4(b) of the Pan-American Disclosure Schedule.

Section 4.5. SAP Statements. Pan-American has previously delivered to MTL true and complete copies of the following: (a) audited Financial Statements prepared in accordance with

SAP of each Pan-American Insurer that is required to prepare and file such Financial Statements under applicable Law for each of the years ended December 31, 2013, 2012, and 2011 and (b) unaudited Financial Statements prepared in accordance with SAP of each Pan-American Insurer that is required to prepare and file such Financial Statements under applicable Law for the year ended December 31, 2014 filed by or on behalf of such Pan-American Insurer with the insurance Governmental Entity of its domiciliary state or jurisdiction (collectively with the items described in (a) and (b) above, the "Pan-American SAP Statements"). Each of the Pan-American SAP Statements was in compliance in all material respects and was prepared in accordance with SAP, and each fairly presents in all material respects the separate financial condition, Assets, Liabilities, surplus and other funds, results of operations, and changes in financial position of the Person covered thereby as at the dates or for the periods covered thereby, in conformity with SAP. Since January 1, 2012, Pan-American has filed or submitted all Pan-American SAP Statements required to be filed with or submitted to the Insurance Department of Louisiana, or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction, and no material deficiency has been asserted with respect to such SAP Statements by the Insurance Department of Louisiana, or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction, that has not been cured, waived or otherwise resolved to the satisfaction of the Insurance Department of Louisiana or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction.

Section 4.6. GAAP Financial Statements.

(a) Pan-American has previously delivered to MTL true and complete copies of the following consolidated Financial Statements of Pan-American: (i) audited Financial Statements prepared in accordance with GAAP for the years ended December 31, 2013, 2012 and 2011; and (ii) unaudited Financial Statements prepared in accordance with GAAP for the year ended December 31, 2014 (collectively, the "Pan-American GAAP Financial Statements"). Each of the Pan-American GAAP Financial Statements is correct and complete in all material respects and was prepared in accordance with GAAP, and each presents fairly in all material respects the consolidated financial condition, results of operations and change in financial position of Pan-American as of the dates or for the periods covered thereby, in conformity with GAAP.

(b) Pan-American has previously made available to MTL true and complete copies of all filings (which shall not include routine correspondence) made by Pan-American or any of its Subsidiaries with the SEC, and all such filings by any of the Pan-American Insurers that is a Significant Subsidiary with the insurance Governmental Entity of its domiciliary state or jurisdiction, in each case since January 1, 2012.

(c) The Books and Records of Pan-American and each of its Subsidiaries (i) are true, complete and correct in all material respects and (ii) have been maintained in all material respects in accordance with applicable Law.

Section 4.7. Reserves. The reserves and related actuarial items in the Pan-American SAP Statements (as of their respective dates): (i) were computed in accordance with presently accepted actuarial standards consistently applied and were fairly stated, in accordance with sound actuarial principles, (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 were in accordance with all other policy or contract provisions, (iii) met the requirements of the applicable Law and regulation and, to Pan-American's Knowledge, were at least as great as the minimum aggregate amounts required by the states or jurisdictions in which the statement was filed, (iv) made a good and sufficient provision for all Pan-American obligations not yet due as of December 31, 2014 but guaranteed under the terms of the applicable policies, (v) were computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end, and (vi) included provision for the actuarial reserves and related statement items which ought to have been established. Prior to the date hereof, Pan-American has delivered or made available to MTL a true and complete copy of any material actuarial reports prepared by actuaries, independent or otherwise, with respect to any Pan-American Insurer from January 1, 2012 through the date of this Agreement, and all attachments, addenda, supplements and modifications thereto ("Pan-American Actuarial Analyses"). The information and data furnished by any Pan-American Insurer to its actuaries in connection with the preparation of the Pan-American Actuarial Analyses were, to the Knowledge of Pan-American, accurate in all material respects.

Section 4.8. Absence of Certain Changes or Events. Since December 31, 2014 and on or prior to the date hereof, each of Pan-American and its Subsidiaries has conducted its business only in the Ordinary Course of Business and:

(a) there has not been any material change by Pan-American or any of its Subsidiaries in accounting principles, methods or practices except insofar as may be required by Law or required by a change in GAAP or SAP, as applicable;

(b) neither Pan-American nor any of its Subsidiaries has made or committed to make any capital expenditures in excess of $5,000,000 individually or $15,000,000 in the aggregate;

(c) neither Pan-American nor any of its Subsidiaries has issued, created, incurred, assumed or guaranteed any indebtedness in an amount in excess of $5,000,000 individually or $15,000,000 in the aggregate;

(d) neither Pan-American nor any of its Subsidiaries has instituted or settled any Proceeding that is material to Pan-American and its Subsidiaries, taken as a whole, that has not been previously disclosed to MTL in writing;

(e) neither Pan-American nor any of its Subsidiaries has entered into any investment funds, programs or arrangements pursuant to which it has made any contractual or other binding commitment that has not been fully funded as reflected in the unaudited Pan-American GAAP Financial Statements for the 12 months period ended December 31, 2014, or the unaudited Pan-American SAP Statements for the 12 months period ended December 31, 2014;

(f) neither Pan-American nor any of its Subsidiaries has agreed, committed, arranged or entered into any understanding to do anything set forth in these paragraphs (a) through (e) of this Section 4.8; and

(g) there has not occurred any event, change or development which individually or in the aggregate has had or may reasonably be expected to have a Pan-American Material Adverse Effect.

Section 4.9. No Undisclosed Liabilities. Except as disclosed in the Financial Statements delivered to MTL pursuant to Section 4.5 and Section 4.6 hereof, Pan-American has no Liabilities, other than (a) those arising since the date of the applicable Financial Statement in the Ordinary Course of Business, (b) Liabilities incurred after the date of this Agreement without violation of Section 6.1 hereof, or (c) Liabilities that, individually or in the aggregate, are not reasonably likely to result in a Pan-American Material Adverse Effect.

Section 4.10. Taxes and Tax Returns. (a) All material Tax Returns required to be filed by Pan-American or any of its Subsidiaries have been timely filed (taking into account any extensions of time for filing such Returns); (b) at the time filed, such Returns were (and, as to Returns not filed as of the date hereof will be) true, complete and correct in all material respects and has timely paid or caused to be timely paid all Taxes due and payable for periods covered by such Returns; (c) the accruals and reserves reflected in the audited Pan-American GAAP Financial Statements or SAP Statements, as the case may be, of Pan-American and of the Pan-American Subsidiaries for the year ended December 31, 2013 and the unaudited Pan-American GAAP Financial Statements or SAP Statements, as the case may be, of Pan-American and of the Pan-American Subsidiaries for the year ended December 31, 2014 are adequate in all material respects to cover all Taxes accrued through the dates thereof for those and any prior periods in accordance with GAAP or SAP, as the case may be; (d) there are no material Liens for Taxes upon the Assets of Pan-American and its Subsidiaries, except liens for Taxes not yet due; (e) neither Pan-American nor any of its Subsidiaries has received a Tax Ruling or entered into a Closing Agreement with any taxing authority that would have a continuing adverse effect after the Effective Time of the Merger; (f) neither Pan-American nor any Pan-American Subsidiary is a party to any Tax allocation or sharing agreement (other than among themselves, the primary purpose of which is to share Tax payment and allocation liabilities arising in the ordinary course) and neither Pan-American or any Pan-American Subsidiary has any Liability for Taxes of any Person (other than Pan-American or a Pan-American Subsidiary under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law)), as a transferee or successor, or by Contract (outside the Ordinary Course of Business); (g) neither Pan-American nor any of its Subsidiaries has participated (within the meaning of Treasury Regulation Section 1.6011-4(c)(3)(i)(A)) in, or is currently participating in, any "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2), and any other reportable transaction within the meaning of Treasury Regulation Section 1.6011-4(b) which Pan-American or any of its Subsidiaries has participated in, has been properly disclosed to the extent required by such Treasury Regulation; (h) there are no outstanding deficiencies, assessments or written proposals for the assessment of Taxes proposed, asserted or assessed against Pan-American or any of its Subsidiaries; (i) no federal, state, local or foreign audits, actions, or other administrative or court proceedings are pending or have been threatened in writing with regard to any Taxes or Tax Returns of Pan-American or any of its Subsidiaries; (j) none of Pan-American nor any of its Subsidiaries has participated in a transaction to which Section 355 of the Code applies in the three years prior to this Agreement; and (k) none of Pan-American nor any of its Subsidiaries has taken any action or knows of any fact, agreement, plan or other circumstance that could reasonably be expected to preclude either of the Mergers from qualifying as a “reorganization” within the meaning of Section 368(a) of the Code.

Section 4.11. Litigation. (a) There are no Proceedings or investigations pending or, to the Knowledge of Pan-American or any Pan-American Subsidiary, threatened against, relating to, involving or otherwise affecting Pan-American or any Pan-American Subsidiary which, individually or in the aggregate, would reasonably be expected to have a Pan-American Material Adverse Effect; and (b) neither Pan-American nor any Pan-American Subsidiary is subject to any Order, except for Orders which, individually or in the aggregate, do not and would not reasonably be expected to have a Pan-American Material Adverse Effect.

Section 4.12. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated hereby based upon any arrangements made by or on behalf of Pan-American.

Section 4.13. Compliance with Law.

(a) Neither Pan-American nor any Pan-American Subsidiary is, or since January 1, 2012 has been, in violation in any material respect of any term or provision of any Law applicable to it or any of its Assets. Without limiting the generality of the foregoing, since January 1, 2012, each of Pan-American and the Pan-American Subsidiaries has filed or caused to be filed all reports, statements, documents, registrations, filings or submissions which were required by any such Law to be filed by it and all such filings complied in all material respects with all such Laws when filed. Pan-American has delivered to MTL all reports reflecting the results of examinations of the affairs of each Pan-American Insurer issued by Governmental Entities for any period ending on a date on or after January 1, 2012 (except those reports that were immaterial in nature), and all deficiencies or violations in such reports for any prior period have been resolved. All outstanding Insurance Contracts issued or assumed by any Pan-American Insurer are, to the extent required by applicable Law, on forms and at rates approved by the insurance Governmental Entities of the jurisdictions where issued (except for immaterial deviations from such approved forms) or have been filed with and not objected to by such authorities within the periods provided for objection.

(b) Neither Pan-American nor any of its Subsidiaries is a party to any Contract with or other undertaking to, or is subject to any Order by, or is a recipient of any supervisory letter or other oral or written communication of any kind from, any Governmental Entity which (i) results or is reasonably likely to result in a Pan-American Material Adverse Effect; or (ii) has been received since January 1, 2012, relates to marketing sales, trade or underwriting practices (other than routine correspondence) and is material to Pan-American and its Subsidiaries, taken as a whole.

Section 4.14. Product Tax Matters.

(a) The Tax treatment of each Pan-American U.S. 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 that was purported to apply in written materials provided by the issuer of such Pan-American U.S.

Insurance Contract, in each case at the time of its issuance (or any subsequent modification of such Pan-American U.S. Insurance Contract) or for which such Pan-American U.S. Insurance Contract would reasonably have been expected to qualify at the time of issuance (or subsequent modification), in each case except where the failure to have such Tax treatment, individually or in the aggregate, is not, and would not reasonably be expected to be, material to the issuer of any such Pan-American U.S. Insurance Contract. The issuer of any Pan-American U.S. Insurance Contract has no reason to believe that the Tax treatment of any such Pan-American U.S. Insurance Contract will at any time be less favorable to the purchaser, policyholder or intended beneficiaries thereof than the Tax treatment either that was purported to apply in written materials provided by the issuer of such Pan-American U.S. Insurance Contract, in each case at the time of its issuance (or any subsequent modification of such Pan-American U.S. Insurance Contract), or for which any such Pan-American U.S. Insurance Contract would reasonably have been expected to qualify, at the time of issuance (or subsequent modification), except where the failure to have such Tax treatment would not be material to any such issuer.

(b) The issuer of each Pan-American U.S. Insurance Contract maintains systems that are adequate to maintain compliance with qualification provisions of the Code, including, when applicable, Sections 7702 and 7702A of the Code, and to comply with the withholding and reporting requirements of the Code applicable to the Pan-American U.S. Insurance Contracts, including Sections 3405 and 6047 of the Code, except where failure to maintain such systems would not be material to any such issuer.

Section 4.15. Employee Benefit Plans; ERISA.

(a) Section 4.15(a) of the Pan-American Disclosure Schedule contains a correct and complete list of each Pan-American Benefit Plan.

(b) Pan-American has provided or made available to MTL or its counsel with respect to each and every Pan-American Benefit Plan a true and complete copy of all plan documents, if any, including related trust agreements, funding arrangements, and insurance contracts and all amendments thereto; and, to the extent applicable, (i) the most recent determination letter, if any, received by Pan-American or any of the Pan-American Subsidiaries from the IRS regarding the tax-qualified status of such Pan-American Benefit Plan or, if applicable, the most recent opinion letter relating to the underlying prototype or volume submitter plan on which the Pan-American Benefit Plan is based; (ii) the most recent financial statements for such Pan-American Benefit Plan, if any; (iii) the most recent actuarial valuation report, if any; (iv) the current summary plan description and any summaries of material modifications provided after the date of the current summary plan description; and (v) Form 5500 Annual Returns/Reports, together with all schedules thereto, for the most recent plan year.

(c) No Pan-American Benefit Plan is (i) subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code, (ii) a "multiemployer plan" as defined in Section 3(37) of ERISA, or (iii) a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA, and none of Pan-American, or any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included Pan-American or any of the Pan-American Subsidiaries, or that is, or was at the relevant time, a member of the same "controlled group" as Pan-American or any of the Pan-American Subsidiaries pursuant to Section 4001(a)(14) of ERISA (each such entity, being, a "Pan-American ERISA Affiliate") has at any time within the last six years maintained a plan subject to Title IV or Section 302 of ERISA or withdrawn at any time within the preceding six years from any multiemployer plan, or incurred any withdrawal liability which remains unsatisfied, and no events have occurred and no circumstances exist that could reasonably be expected to result in any such liability to Pan-American or any of the Pan-American Subsidiaries.

(d) Except as could not result in a material liability to Pan-American or any of its Subsidiaries, no event has occurred and no condition exists that would reasonably be expected to subject Pan-American (or any of its Subsidiaries) to any (i) Tax, penalty, fine or (ii) Lien, in each case, on account of employee benefit plans maintained, sponsored, contributed to, or required to be contributed to by, a Pan-American ERISA Affiliate (other than Pan-American and any of its Subsidiaries).

(e) With respect to each Pan-American Benefit Plan that is intended to qualify under Section 401(a) of the Code, such plan, and its related trust, has received, has an application pending or remains within the remedial amendment period for obtaining, a determination letter from the IRS that it is so qualified and that its trust is exempt from Tax under Section 501(a) of the Code, or is based on a prototype or volume submitter plan document with respect to which the IRS has issued a favorable opinion or advisory letter, and nothing has occurred with respect to the operation of any such plan which could reasonably be expected to cause the loss of such qualification or exemption or the imposition of any material liability, penalty or tax under ERISA or the Code.

(f) There are no pending or, to the Knowledge of Pan-American, threatened material actions, claims or lawsuits against or relating to any Pan-American Benefit Plan or against any fiduciary of any Pan-American Benefit Plan with respect to the operation of such plan (other than routine benefits claims).

(g) Each Pan-American Benefit Plan has been established and administered in all material respects in accordance with its terms, and in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable laws, and all contributions (including all employer contributions and employee salary reduction contributions) required to have been made under any of Pan-American Benefit Plans to any funds or trusts established thereunder or in connection therewith have been made or have been accrued and reported on Pan-American's Financial Statements.

(h) None of the Pan-American Benefit Plans provides retiree health or life insurance benefits except as may be required by Section 4980B of the Code and Section 601 of ERISA or any other applicable law or at the expense of the participant or the participant's beneficiary. There has been no material violation of the "continuation coverage requirement" of "group health plans" as set forth in Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA with respect to any Pan-American Benefit Plan to which such continuation coverage requirements apply.

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby will (either alone or in combination with another event) (i) result in any payment becoming due, or increase the amount of any compensation or benefits due, to any current or former employee of Pan-American and any of its Subsidiaries or with respect to any Pan-American Benefit Plan; (ii) increase any benefits otherwise payable under any Pan-American Benefit Plan; or (iii) result in the acceleration of the time of payment or vesting of any such compensation or benefits.

(j) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby will (either alone or in combination with another event) result in the payment of any amount that would, individually or in combination with any other such payment, not be deductible as a result of Section 280G of the Code. Neither Pan-American nor any Pan-American Subsidiary is a party to any Contract or arrangement that, separately or in the aggregate, could, by reason of the transactions contemplated by this Agreement, give rise to the payment of any "excess parachute payment" within the meaning of Section 280G of the Code.

(k) Except as could not result in a material liability to Pan-American or the Pan-American Subsidiaries, each Pan-American Benefit Plan that is a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code) is in documentary compliance with, and has been administered (i) in good faith compliance with Section 409A of the Code for the period beginning October 1, 2004 through December 31, 2008, and (ii) in compliance with Section 409A of the Code since January 1, 2009.

(l) Except as could not result in a material liability to Pan-American or its Subsidiaries, all Pan-American Benefit Plans subject to the laws of any jurisdiction outside of the United States (the "Non-U.S. Pan-American Benefit Plans") (i) have been maintained in accordance with all applicable laws, regulations, rules and the respective requirements of their governing documents, (ii) if they are intended to qualify for special tax treatment, meet all requirements for such treatment, and (iii) if they are intended to be funded and/or book-reserved, are fully funded and/or book reserved, as appropriate, based upon reasonable actuarial assumptions. The aggregate unfunded liabilities, after giving effect to any reserves for such liabilities, with respect to the Non-U.S. Pan-American Benefit Plans would not reasonably be expected to result in a material liability to Pan-American and its Subsidiaries, taken as a whole. There are no pending or threatened actions against Pan-American or any of its Subsidiaries with respect to any Non-U.S. Pan-American Benefit Plan which would reasonably be expected to result in a material liability to Pan-American and its Subsidiaries, taken as a whole, and to the Knowledge of Pan-American, no event has occurred that could subject any party to the imposition of any penalty that would reasonably be expected to result in a material liability to Pan-American and its Subsidiaries, taken as a whole.

(m) With respect to each Pan-American Benefit Plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there has been no failure to satisfy the minimum funding standard within the meaning of Section 412 of the Code or Section 303 or

304 of ERISA, whether or not waived; (ii) all premiums to the PBGC have been timely paid in full; (iii) no liability (other than for premiums to the PBGC and other than payment of benefits) under Title IV of ERISA has been or is expected to be incurred by Pan-American or any of the Pan-American Subsidiaries; (iv) the PBGC has not instituted proceedings to terminate any such Pan-American Benefit Plan, and no condition exists that presents a risk that such proceedings will be instituted or which would constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any such Pan-American Benefit Plan; and (v) there has been no determination that any such Pan-American Benefit Plan is in "at risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code).

Section 4.16. Assets. Except as set forth in the footnotes to the Financial Statements previously delivered to MTL pursuant to Section 4.5 and Section 4.6 hereof and except for Assets disposed of since December 31, 2014 in arm's length transactions at prices reasonably believed to be fair market value in the Ordinary Course of Business, Pan-American (on its own or through its Subsidiaries) has good title to all Assets that are disclosed or otherwise reflected in the unaudited Pan-American GAAP Financial Statements for the year ended December 31, 2014 and all Assets acquired thereafter and all such Assets are owned by such Persons, free and clear of all Liens, other than Permitted Liens.

Section 4.17. Environmental Matters.

(a) Each of Pan-American and the Pan-American Subsidiaries is, and, to the Knowledge of each of Pan-American and the Pan-American Subsidiaries, all Pan-American Operating Facilities (including, with respect to any Pan-American Operating Facility, all owners or operators thereof), are in compliance in all material respects with all applicable Environmental Laws. To the Knowledge of each of Pan-American and any of its Subsidiaries, neither Pan-American nor any of its Subsidiaries has received any communication (written or oral), that alleges that Pan-American or any of its Subsidiaries or any Pan-American Operating Facility (including, with respect to any Pan-American Operating Facility, any owner or operator thereof) is not in such material compliance, and, to the Knowledge of each of Pan-American and any of its Subsidiaries, there are no circumstances that may prevent or interfere with such material compliance in the future. All material Licenses held on the date hereof by Pan-American or any of its Significant Subsidiaries pursuant to Environmental Laws required for the conduct of business of Pan-American and any of its Significant Subsidiaries as currently conducted in all material respects are identified in Section 4.17(a) of the Pan-American Disclosure Schedule.

(b) There is no Environmental Claim pending against Pan-American or any Pan-American Subsidiary or Pan-American Operating Facility or, to the Knowledge of each of Pan-American and the Pan-American Subsidiaries, pending in respect of any Investment Asset, threatened against Pan-American or any Pan-American Subsidiary or Pan-American Operating Facility, or threatened against any Person whose Liability for any Environmental Claims Pan-American or any Pan-American Subsidiary has or may have retained or assumed either contractually or by operation of Law, except for Environmental Claims which, individually or in the aggregate, may not reasonably be expected to have a Pan-American Material Adverse Effect. To the Knowledge of each of Pan-American and its Subsidiaries, there are no facts or conditions relating to the presence of, release of, or exposure to Hazardous Substances at, on or from any

Pan-American Operating Facility or any Investment Asset that is reasonably likely to result in a Pan-American Material Adverse Effect.

(c) To the Knowledge of Pan-American or any Pan-American Subsidiary, no Hazardous Substances are present in, stored at or otherwise managed at any Pan-American Operating Facility, and no Hazardous Substances from any Pan-American Operating Facility have been disposed of by Pan-American or any Pan-American Subsidiary at any other property, in each case in a manner that is reasonably likely to result in a Pan-American Material Adverse Effect.

Section 4.18. Labor Matters.

(a) Neither Pan-American nor any of the Pan-American Subsidiaries is a party to any collective bargaining agreement, labor union contract applicable to its employees or similar agreement or work rules or practices with any labor union, works council, labor organization or employee association applicable to employees of Pan-American or any of the Pan-American Subsidiaries nor does Pan-American have Knowledge of any activities or proceedings of any labor union, works council, labor organization or employee association to organize any such employees.

(b) There are no strikes or lockouts pending with respect to any employees of Pan-American or any of the Pan-American Subsidiaries, there is no union organizing effort pending or threatened against Pan-American or any of its Subsidiaries, there is no unfair labor practice, labor dispute (other than routine individual grievances), or labor arbitration proceeding pending or, to the Knowledge of Pan-American, threatened, with respect to the employees of Pan-American or any of its Subsidiaries, and there is no slowdown or work stoppage in effect or, to the Knowledge of Pan-American, threatened with respect to the employees of Pan-American or any of the Pan-American Subsidiaries except, in each case, as would not have, or would not reasonably be expected to have, a Pan-American Material Adverse Effect.

(c) Except as would not have, or would not reasonably be expected to have, a Pan-American Material Adverse Effect, each of Pan-American and its Subsidiaries are, and have been, in compliance in all respects with all applicable laws relating to employment and employment practices, the classification of employees, wages, overtime, hours, collective bargaining, unlawful discrimination, civil rights, safety and health, workers' compensation and terms and conditions of employment. There are no charges with respect to or relating to either of Pan-American or the Pan-American Subsidiaries pending or, to the Knowledge of Pan-American, threatened before the Equal Employment Opportunity Commission or any national, federal, state or local agency, domestic or foreign, responsible for the prevention of unlawful employment practices. Neither Pan-American nor any of the Pan-American Subsidiaries has received any written notice from any national, federal, state or local agency, domestic or foreign, responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of either of Pan-American or the Pan-American Subsidiaries and no such investigation is in progress. There is no lawsuit, grievance, administrative hearing, workers compensation or workplace safety and insurance claim, employment standards complaint, pay equity complaint, occupational health and safety charge, claim or investigation of wrongful (including constructive) discharge, employment discrimination or retaliation, sexual harassment, unfair labor practice charge or complaint or other employment dispute of any nature pending or threatened, against Pan-American or any of its Subsidiaries that would reasonably be expected to result in a material liability to Pan-American and its Subsidiaries, taken as a whole.

(d) Except as would not have, or would not reasonably be expected to have, a Pan-American Material Adverse Effect, neither Pan-American nor any of the Pan-American Subsidiaries has incurred any liability or obligations with respect to any "mass layoff" or "plant closing" as defined by, and pursuant to, the Worker Adjustment and Retraining Notification Act or any similar U.S. state or local or non-U.S. "plant closing" law ("WARN") with respect to the current or former employees of Pan-American or the Pan-American Subsidiaries.

(e) Except as would not have, or would not reasonably be expected to have, a Pan-American Material Adverse Effect, all independent contractors of Pan-American and the Pan-American Subsidiaries (and any other independent contractor who previously rendered services for Pan-American or its Subsidiaries, at any time) have been, and currently are, properly classified and treated by Pan-American and its Subsidiaries, as applicable, as independent contractors and not as employees. All such independent contractors have in the past been, and continue to be, properly and appropriately treated as non-employees for all U.S. federal, state, and local and non-U.S. Tax purposes. Pan-American and the Pan-American Subsidiaries have fully and accurately reported their independent contractors' compensation on IRS Forms 1099 (or otherwise in accordance with applicable law) when required to do so, and Pan-American and the Pan-American Subsidiaries do not have, nor have they ever had, any liability to provide benefits with respect to their independent contractors under Pan-American Benefit Plans or otherwise. At no time within the preceding two years has any independent contractor brought a claim against Pan-American or the Pan-American Subsidiaries challenging his or her status as an independent contractor or made a claim for additional compensation or any benefits under any Pan-American Benefit Plan or otherwise.

Section 4.19. Related Party Transactions. Section 4.19 of the Pan-American Disclosure Schedule sets forth a complete and accurate list of all Contracts between Pan-American or any of its Subsidiaries, on the one hand, and any director or officer of Pan-American or any of its Subsidiaries or Affiliate or an immediate family member or member of the same household of such director or officer (other than Pan-American or any of its Subsidiaries), on the other hand, in each case other than any such Contract between or among Subsidiaries that are not Significant Subsidiaries or between any such Subsidiary and a director or officer, or immediate family member of any director or officer, of such a Subsidiary (a "Pan-American Related Party Transaction").

Section 4.20. Producers.

(a) Each of the Pan-American Insurers, and each of their respective producers or agents are and have been since January 1, 2012, in connection with the Pan-American Insurance Contracts, in compliance in all material respects with all applicable Laws regulating the marketing and sale of life insurance policies, health insurance policies and annuity contracts, regulating advertisements, requiring mandatory disclosure of policy information, requiring employment of standards to determine if the purchase of a 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 purposes of this Section 4.20(a), (i) "advertisement" means any material designed to create public interest in life insurance policies and annuity contracts or in an insurer, or in an insurance producer or agent, or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain such a policy or contract and (ii) "replacement transaction" means a transaction in which a new life insurance policy or annuity contract is to be purchased by a prospective insured and the proposing producer or agent knows or should know that one or more existing life insurance policies or annuity contracts will lapse, or will be forfeited, surrendered, reduced in value or pledged as collateral.

(b) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Pan-American Material Adverse Effect, since January 1, 2012 (i) each of the Pan-American Insurers, and each of their respective producers or agents, at the time that such producer or agent wrote, sold or produced any Pan-American Insurance Contract, was duly licensed, authorized and appointed (for the type of business written, sold or produced by such producer or agent) in the particular jurisdiction in which such producer or agent wrote, sold or produced such business, and no such producer or agent violated any term or provision of applicable Law relating to the writing, sale or production of such business in any material respect, (ii) no producer or agent has breached the terms of any agency or broker Contract with Pan-American, any Pan-American Group member or any of their respective Affiliates in any material respect or violated any applicable Law or policy of Pan-American, any Pan-American Group member or any of their respective Affiliates in the solicitation, negotiation, writing, sale or production of such business in any material respect and (iii) no producer or agent has been enjoined, indicted, convicted or made the subject of any consent decree or judgment on account of any violation in any material respect of any applicable Law in connection with such producer's or agent's actions in his, her or its capacity as a producer or agent for the Pan-American Insurance Contracts, and there exists no enforcement or disciplinary proceeding alleging any such violation.

Section 4.21. Contracts.

(a) Section 4.21(a) of the Pan-American Disclosure Schedule contains a true and complete list of all of the following Contracts in force as of the date of this Agreement (which have been previously made available to MTL), (x) to which Pan-American or any of its Significant Subsidiaries is a party or (y) by which any Assets of Pan-American or any of its Significant Subsidiaries are or may be bound, as such Contracts may have been amended to the date of this Agreement (in each case, other than any Contract related to any Pan-American Related Party Transaction):

(i) all material employment, agency, brokerage, consultation, retirement (other than pursuant to the existing provisions of any Pan-American Benefit Plan in full force and effect on the date of this Agreement), representation or other Contracts with present or former employees, agents or consultants (including loans or advances to any such Person);

(ii) all material Contracts with any Person containing any provision or covenant (i) limiting the ability of Pan-American or any of its Subsidiaries to engage in any line of business, to compete with any Person, to do business with any Person or in any location or to employ any person or (ii) limiting the ability of any Person to compete with Pan-American or any of its Subsidiaries;

(iii) all material Contracts relating to the borrowing of money by Pan-American or any of its Subsidiaries or the direct or indirect guarantee by Pan-American or any of its Subsidiaries of any obligation of any Person for borrowed money or other financial obligation of any Person (other than indebtedness in respect of Investment Assets), or any other Liability of Pan-American or any of its Subsidiaries in respect of indebtedness for borrowed money or other financial obligation of any Person (other than indebtedness in respect of Investment Assets);

(iv) all Contracts with any Person containing material ongoing obligations of indemnification by Pan-American or any of its Subsidiaries of any Person;

(v) all leases or subleases of material real property used in the conduct of the business of Pan-American or any of its Subsidiaries;

(vi) all Contracts relating to the future disposition or acquisition of any material interest in any business enterprise, and all Contracts relating to the future disposition of a material portion of the Assets of Pan-American and its Subsidiaries, taken as a whole, other than in the case of each of the foregoing any Investment Asset or interest in any business enterprise or Assets to be acquired or disposed of in the Ordinary Course of Business;

(vii) all Contracts between any Significant Subsidiary and any of its top five producers (measured by gross written premium for the year ended December 31, 2014);

(viii) all Contracts relating to the development, ownership, licensing or use of any Intellectual Property material to the business of Pan-American and its Subsidiaries, taken as a whole; and

(ix) all other material Contracts (other than (i) Insurance Contracts, (ii) Contracts relating to Investment Assets entered into in the Ordinary Course of Business, (iii) employment Contracts that are not otherwise required to be set forth in Section 4.15 or Section 4.21 of the Pan-American Disclosure Schedule, (iv) Reinsurance Treaties and (v) other Contracts which are expressly excluded under any other subsection of this Section 4.21) that involve or are reasonably likely to involve the payment pursuant to the terms of such Contracts by or to Pan-American of one million dollars ($1,000,000) or more, or that are otherwise material to Pan-American and its Subsidiaries taken as a whole.

(b) Section 4.21(b) of the Pan-American Disclosure Schedule contains a true and complete list of all of the Contracts of the type set forth in clauses (i) – (ix) of Section 4.21(a) above (without giving effect to any limitation as to "materiality" contained therein) in force as of the date of this Agreement that are material to Pan-American and its Subsidiaries, taken as a whole, (x) to which any Subsidiary of Pan-American that is not a Significant Subsidiary is a party or (y) by which any Assets of any Subsidiary of Pan-American that is not a Significant Subsidiary are or may be bound, as such Contracts may have been amended to the date of this

Agreement (in each case, other than any Contract related to any Pan-American Related Party Transaction).

(c) Section 4.21(c) of the Pan-American Disclosure Schedule also contains, as of the date of this Agreement, a list of all Contracts with third party administrators of Pan-American and its Significant Subsidiaries.

(d) Each of the Contracts listed in Sections 4.21(a), (b) and (c) of the Pan-American Disclosure Schedule has been made available to MTL and is in full force and effect and (assuming each such Contract is a valid and binding obligation of the other parties thereto) constitutes a valid and binding obligation of Pan-American and each of its Subsidiaries, to the extent that it is a party thereto, and, to the Knowledge of Pan-American and its Subsidiaries, of each other Person that is a party thereto in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at Law), and neither Pan-American nor any of its Subsidiaries is, and, to the Knowledge of Pan-American and its Subsidiaries, no other party to such Contract is, on the date hereof, in material violation, breach or default of any such Contract or with notice or lapse of time or both would be in material violation, breach or default of any such Contract, except for any violation, breach or default which, individually or in the aggregate, is not reasonably likely to result in a Pan-American Material Adverse Effect. No such Contract contains any provision providing that any other party thereto may terminate such Contract by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby.

Section 4.22. Internal Controls. Pan-American has devised and maintained a system of internal accounting controls with respect to its business sufficient to provide reasonable assurances that: (i) transactions are executed according to the management's general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conforming with SAP and to maintain accountability for assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; and (iv) recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 4.23. Insurance Contracts, Reinsurance Treaties and Investment Policies.

(a) Since January 1, 2012, all benefits payable to any Person under any Insurance Contract of any Pan-American Insurer have in all material respects been paid (or provision as required under SAP for payment thereof has been made) in accordance with the terms of the Insurance Contracts under which they arose, and such payments were not materially delinquent and were paid without fines or penalties, except for any such claims or claim for benefits of less than $2,000,000 for which such Pan-American Insurer reasonably believes there is a reasonable basis to contest payment and is taking (or is preparing to take) such action or as set forth in Section 4.23 of the Pan-American Disclosure Schedule.

(b) Pan-American has made available to MTL a copy of all written investment policies and procedures for Pan-American and its Subsidiaries in effect as of the date hereof. Pan-American and each Pan-American Subsidiary have at all times since January 1, 2012 complied in all material respects with their applicable investment policies and procedures in effect at such times.

(c) Section 4.23(c) of the Pan-American Disclosure Schedule contains a true and complete list of all Reinsurance Treaties in force as of the date of this Agreement (which have previously been made available to MTL) to which any Pan-American Insurer (that is also a Significant Subsidiary) is a party or by which any Assets of any Pan-American Insurer are or may be bound, as such Reinsurance Treaties may have been amended to the date of this Agreement. Each such Reinsurance Treaty is in full force and effect and (assuming each such Reinsurance Treaty is a valid and binding obligation of the other parties thereto) constitutes a valid and binding obligation of each Pan-American Insurer that is a party thereto and, to the Knowledge of Pan-American and its Subsidiaries, of each other Person that is a party thereto in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at law), and no Pan-American Insurer is, and, to the Knowledge of Pan-American and its Subsidiaries, no other party to such Reinsurance Treaty is, on the date hereof, in material violation, breach or default of any such Reinsurance Treaty or with notice or lapse of time or both would be in material violation, breach or default of any such Reinsurance Treaty, except for any violation, breach or default which, individually or in the aggregate, is not reasonably likely to result in a Pan-American Material Adverse Effect. Pan-American has reasonably concluded that all reinsurance, coinsurance or similar recoverable amounts reflected in the Pan-American SAP Statements are collectible, and Pan-American has no Knowledge of any material adverse change in the financial condition of its reinsurers that might have a material adverse effect on their ability to honor their reinsurance, coinsurance or similar commitments. As of the date hereof, no party to any Reinsurance Treaty listed in Section 4.23(c) of the Pan-American Disclosure Schedule has given written notice to Pan-American or any Pan-American Subsidiary that such party intends to terminate, cancel or materially alter the pricing of any such Reinsurance Treaty as a result of or following consummation of the Mergers. With respect to each such Reinsurance Treaty, to the Knowledge of Pan-American, no event has occurred that, with the passage of time or the giving of notice or both would permit material modification, acceleration or termination thereof. None of such Reinsurance Treaties contains any provision providing that the other party thereto may terminate or materially alter the pricing of the same by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby, or contains any other provision which would be materially altered or otherwise become applicable by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby. Since January 1, 2012, no Reinsurance Treaty listed in Section 4.23(c) of the Pan-American Disclosure Schedule has been cancelled. Since January 1, 2012, there have been no material disputes under any such Reinsurance Treaty other than disputes in the Ordinary Course of Business for which adequate loss reserves have been established.

(d) There are no material outstanding claims or assessments against Pan-American or any Pan-American Subsidiary by any insurance guaranty association, joint underwriting association, residual market facility or assigned risk pool. To the Knowledge of Pan-American, no such material claim or assessment is pending.

Section 4.24. Operations Insurance. Pan-American has made available to MTL copies of all liability, property, workers' compensation, directors and officers liability, and other similar insurance contracts that insure the Business or properties of Pan-American or any of its Significant Subsidiaries or affect or relate to the ownership, use, or operations of any Assets of Pan-American or any of its Significant Subsidiaries and that have been issued to Pan-American or any of its Significant Subsidiaries. All such Insurance Contracts are in full force and effect and are with financially sound and reputable insurers, and all premiums due and payable thereon have in all material respects been paid in full on a timely basis. All notices of material reportable incidents with respect to such insurance occurring during the last five (5) years have been given in writing to appropriate carriers on a basis sufficiently timely to preserve the right of recovery of such insurance, and a copy of all such notices has been made available to MTL. No party to any Insurance Contract has to the Knowledge of Pan-American or any Pan-American Subsidiary stated an intent or threatened to terminate or materially increase the premium in respect of any such Insurance Contract.

Section 4.25. Intellectual Property. Section 4.25 of the Pan-American Disclosure Schedule sets forth a list of all Registered Intellectual Property owned by or licensed to Pan-American and any of its Significant Subsidiaries. Such Registered Intellectual Property is valid and subsisting and, to the Knowledge of Pan-American and any of its Significant Subsidiaries, enforceable. Except as would not individually or in the aggregate, be reasonably likely to result in a Pan-American Material Adverse Effect, (i) Pan-American and any Pan-American Subsidiary owns, free and clear of all Liens (except for Permitted Liens and contractual agreements with respect to licensing and maintenance fees), or has a license or other right to use, all material Intellectual Property to the extent necessary for the conduct of its Business as currently conducted; (ii) there is no Proceeding pending against Pan-American nor any Pan-American Subsidiary, or to the Knowledge of Pan-American or any Pan-American Subsidiary, threatened against Pan-American or any Pan-American Subsidiary in the past three (3) years alleging that Pan-American or any Pan-American Subsidiary is infringing any Intellectual Property rights of any Third Party; and (iii) neither Pan-American nor any of its Significant Subsidiaries has made any claim against any Third Party that remains pending alleging the infringement of any Intellectual Property right of Pan-American or such Significant Subsidiary. Each of Pan-American and the Pan-American Subsidiaries has taken commercially reasonable efforts to maintain the secrecy of the trade secrets owned by it. The Computer Systems and Computer Software owned or used by Pan-American or any Pan-American Subsidiary in the conduct of its Business are sufficient in all material respects for the immediate needs of the Business of Pan-American and each Pan-American Subsidiary, other than upgrades in the Ordinary Course of Business.

Section 4.26. Investment Company. Neither Pan-American nor any of its Subsidiaries is required to be registered as an "investment company" as defined under the Investment Company Act, and neither Pan-American nor any of its Subsidiaries sponsors any Person that is required to be registered as an investment company. Neither Pan-American nor any of its Subsidiaries conducts activities of or is otherwise deemed under applicable Law to control an "investment adviser" as such term is defined in Section 2(a)(20) of the Investment Company Act, whether or not registered under the Investment Advisers Act. No Pan-American Subsidiary is engaged in any activity that would require registration by Pan-American or any Pan-American Subsidiary as an investment company, broker-dealer, investment advisor or fund administrator under any applicable state or federal Law, including the Exchange Act, the Investment Company Act, and the Investment Advisers Act.

Section 4.27. Risk-Based Capital. Pan-American has made available to MTL the Risk-Based Capital Reports. The Risk-Based Capital Reports are true, accurate and complete in all material respects. Since January 1, 2006, none of Pan-American or any of its Subsidiaries has suffered a decrease in its Risk-Based Capital to "Company Action Level."

Section 4.28. Foreign Corrupt Practices and Anti-Bribery. None of Pan-American, any of its Subsidiaries, nor to the Knowledge of Pan-American, any director, officer, agent or employee thereof with respect to any matter relating to Pan-American or its Subsidiaries, has: (a) used any funds for unlawful contributions, loans, donations, gifts, entertainment or other unlawful expenses relating to political activity; (b) made or agreed to make any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns; (c) taken any action that would constitute a violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd 1 *et seq.* or its equivalent in any jurisdiction where Pan-American or its Subsidiaries conduct Business, if Pan-American or its Subsidiaries were subject thereto; or (d) made or agreed to make any other unlawful payment.

Section 4.29. Pan-American Dividend Policy. Pan-American and its applicable Subsidiaries have complied in all material respects with the terms and provisions of the dividend policy of Pan-American set forth in Section 4.29 of the Pan-American Disclosure Schedule at all times since such dividend policy became effective.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF MTL

Except as set forth in the MTL Disclosure Schedule (with specific reference to the section of this Agreement to which the information stated in such MTL Disclosure Schedule relates; provided that any fact or condition disclosed in any section of such disclosure letter in such a way as to make its relevance to another section of such disclosure letter that relates to a representation or representations made elsewhere in Article V of this Agreement reasonably apparent shall be deemed to be an exception to such representation or representations notwithstanding the omission of a reference or cross reference thereto) delivered to Pan-American prior to the execution of this Agreement, MTL represents and warrants to Pan-American as follows:

Section 5.1. Organization and Qualification.

(a) MTL is a mutual life insurance holding company duly organized, validly existing and in good standing under the Laws of the State of Illinois and has full authority and corporate power to conduct its Business as it is currently being conducted. Each of the MTL Subsidiaries is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has full authority and corporate power to conduct its Business as it is currently being conducted. MTL and each of the MTL Subsidiaries is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its Assets owned or leased or the nature of its Business makes such qualification necessary, except for failures to be so qualified or in good standing which would not, individually or in the aggregate, have an MTL Material Adverse Effect. Each of the MTL Subsidiaries is listed in Section 5.1(a) of the MTL Disclosure Schedule.

(b) MTLIC is the only MTL Subsidiary that is authorized under applicable Law to transact insurance or reinsurance business. MTLIC does not have any Subsidiaries. MTLIC possesses an Insurance License in each jurisdiction in which it is required to possess an Insurance License, except for failures to be so licensed which would not, individually or in the aggregate, have an MTL Material Adverse Effect. All such Insurance Licenses are in full force and effect (except for any failure to be in full force and effect that can be cured in thirty (30) days or less without material cost or expense, including costs relating to any interruption of Business) without amendment, limitation or restriction (except as can be cured as provided above), except for failures to be in full force and effect which would not, individually or in the aggregate, have an MTL Material Adverse Effect.

(c) Copies of the articles of incorporation and by-laws (or comparable organizational documents) of MTL and each of its Significant Subsidiaries have heretofore been delivered or made available to Pan-American, and such copies are accurate and complete as of the date hereof.

(d) MTL does not directly or indirectly beneficially own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity other than (i) the MTL Subsidiaries, (ii) as disclosed in Section 5.1(d) of the MTL Disclosure Schedule and (iii) Investment Assets held in the ordinary course of investment activities in accordance with its investment policies in place as of the date hereof and constituting less than five percent (5%) of the outstanding equity of the issuing entity.

(e) The minute books of MTL and of each of the MTL Subsidiaries with respect to periods beginning on or after January 1, 2012 have been made available to Pan-American. Such minute books contain a complete summary of all meetings of directors and meetings of Members and reflect all of the material actions taken by each of their respective boards of directors (including each committee thereof) and stockholders (in the case of each such MTL Subsidiary) or members since January 1, 2012.

(f) Neither MTL nor MTLIC are "commercially domiciled" in any jurisdiction, or otherwise treated as domiciled in a jurisdiction, other than its respective state of domicile.

Section 5.2. Capitalization of Subsidiaries. All of the outstanding shares of capital stock of each of the MTL Subsidiaries have been validly issued and are fully paid and nonassessable. There are no outstanding subscriptions, options, warrants, calls, rights, convertible securities, obligations to make capital contributions or advances, or voting trust arrangements, stockholders' agreements or other agreements, commitments or understandings of any character relating to the issued or unissued capital stock of any MTL Subsidiary or securities convertible into, exchangeable for or evidencing the right to subscribe for any shares of such capital stock or otherwise obligating MTL or any such MTL Subsidiary to issue, transfer or sell any such capital stock or such other securities. The name, jurisdiction of incorporation and percentages of outstanding capital stock as of the date of this Agreement owned, directly or indirectly, by MTL, with any liens thereon noted with respect to each MTL Subsidiary are set forth in Section 5.2, of the MTL Disclosure Schedule.

Section 5.3. Authority Relative to this Agreement.

(a) MTL has full authority and corporate power to execute and deliver this Agreement and, subject to receipt of necessary Governmental Approvals and Member approvals, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of MTL. Except for the approval of this Agreement and the Merger by the Members of MTL, no other corporate proceedings on the part of MTL are necessary to authorize this Agreement and the transactions contemplated hereby. The affirmative vote of two-thirds of the Members of MTL voting on the Merger is the only vote of Members of MTL necessary to approve this Agreement and the transactions contemplated hereby.

(b) This Agreement has been duly and validly executed and delivered by MTL and (assuming this Agreement is a legal, valid and binding obligation of Pan-American) constitutes a legal, valid and binding agreement of MTL enforceable against MTL in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at law).

Section 5.4. No Violation.

(a) The execution, delivery and performance of this Agreement by MTL and the consummation of the transactions contemplated hereby will not (i) constitute a breach or violation of or default under the articles of incorporation or the by-laws of MTL or of any of the MTL Subsidiaries, (ii) violate any applicable Law or Order or (iii) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the Assets of MTL or of any of its Subsidiaries under any of the terms, conditions or provisions of, any Contract to which MTL or any of its Subsidiaries is a party or to which it or any of its Assets may be subject, other than in the case of clauses (ii) and (iii), events or other matters that would not individually or in the aggregate reasonably be expected to have an MTL Material Adverse Effect.

(b) Other than required filings and Governmental Approvals, no Consent or Filing is required with respect to MTL or any MTL Subsidiary in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for:

(i) the approval by two-thirds of the Members of MTL voting on said Merger;

(ii) the filing of this Agreement with and the approval of such by the Illinois Director under Illinois Insurance Law, by the Louisiana Insurance Director under Louisiana Insurance Law or MTL Governmental Approvals as may be required under the Laws of other jurisdictions and are identified in Section 5.4(b) of the MTL Disclosure Schedule;

(iii) the filings required under the HSR Act and relevant state insurance Laws requiring pre-acquisition notification and the expiration or other termination of any waiting period applicable to the Merger under such Laws; and

(iv) any Consent or Filing that is disclosed in Section 5.4(b) of the MTL Disclosure Schedule.

Section 5.5. SAP Statements. MTL has previously delivered to Pan-American true and complete copies of the following: (a) audited Financial Statements of MTLIC prepared in accordance with SAP for each of the years ended December 31, 2013, 2012, and 2011 and (b) unaudited Financial Statements prepared in accordance with SAP of MTLIC for the year ended December 31, 2014 filed by or on behalf of MTLIC with the insurance Governmental Entity of its domiciliary state or jurisdiction (collectively with the items described in (a) and (b) above, the "MTL SAP Statements"). Each of the MTL SAP Statements was in compliance in all material respects and was prepared in accordance with SAP, and each fairly presents in all material respects the separate financial condition, Assets, Liabilities, surplus and other funds, results of operations, and changes in financial position of the Person covered thereby as at the dates or for the periods covered thereby, in conformity with SAP. Since January 1, 2012, MTL has filed or submitted all MTL SAP Statements required to be filed with or submitted to the Insurance Department of Illinois, or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction, and no material deficiency has been asserted with respect to such SAP Statements by the Insurance Department of Illinois or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction, that has not been cured, waived or otherwise resolved to the satisfaction of the Insurance Department of Illinois or the applicable insurance Governmental Entity of its domiciliary state or jurisdiction.

Section 5.6. GAAP Financial Statements.

(a) MTL has previously delivered to Pan-American true and complete copies of the following consolidated Financial Statements of MTL: (i) audited Financial Statements prepared in accordance with GAAP for the years ended December 31, 2013, 2012 and 2011; and (ii) unaudited Financial Statements prepared in accordance with GAAP for the year ended December 31, 2014 (collectively, the "MTL GAAP Financial Statements"). Each of the MTL GAAP Financial Statements is correct and complete in all material respects and was prepared in accordance with GAAP, and each presents fairly in all material respects the consolidated financial condition, results of operations and change in financial position of MTL as of the dates or for the periods covered thereby, in conformity with GAAP.

(b) MTL has previously made available to Pan-American true and complete copies of all filings (which shall not include routine correspondence) made by MTL or any of its Subsidiaries with the SEC, and all such filings by MTLIC with the insurance Governmental Entity of its domiciliary state or jurisdiction, in each case since January 1, 2012.

(c) The Books and Records of MTL and each of its Subsidiaries (i) are true, complete and correct in all material respects and (ii) have been maintained in all material respects in accordance with applicable Law.

Section 5.7. Reserves. The reserves and related actuarial items in the MTL SAP Statements (as of their respective dates): (i) were computed in accordance with presently accepted actuarial standards consistently applied and were fairly stated, in accordance with sound actuarial principles, (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 were in accordance with all other policy or contract provisions, (iii) met the requirements of the applicable Law and regulation and, to MTL's Knowledge, were at least as great as the minimum aggregate amounts required by the states or jurisdictions in which the statement was filed, (iv) made a good and sufficient provision for all MTL obligations not yet due as of December 31, 2014 but guaranteed under the terms of the applicable policies, (v) were computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end, and (vi) included provision for the actuarial reserves and related statement items which ought to have been established. Prior to the date hereof, MTL has delivered or made available to Pan-American a true and complete copy of any material actuarial reports prepared by actuaries, independent or otherwise, with respect to MTLIC from January 1, 2012 through the date of this Agreement, and all attachments, addenda, supplements and modifications thereto ("MTL Actuarial Analyses"). The information and data furnished by MTLIC to its actuaries in connection with the preparation of the MTL Actuarial Analyses were, to the Knowledge of MTL, accurate in all material respects.

Section 5.8. Absence of Certain Changes or Events. Since December 31, 2014 and on or prior to the date hereof, each of MTL and its Subsidiaries has conducted its business only in the Ordinary Course of Business and:

(a) there has not been any material change by MTL or any of its Subsidiaries in accounting principles, methods or practices except insofar as may be required by Law or required by a change in GAAP or SAP, as applicable;

(b) neither MTL nor any of its Subsidiaries has made or committed to make any capital expenditures in excess of $5,000,000 individually or $15,000,000 in the aggregate;

(c) neither MTL nor any of its Subsidiaries has issued, created, incurred, assumed or guaranteed any indebtedness in an amount in excess of $5,000,000 individually or $15,000,000 in the aggregate;

(d) neither MTL nor any of its Subsidiaries has instituted or settled any Proceeding that is material to MTL and its Subsidiaries, taken as a whole, that has not been previously disclosed to Pan-American in writing;

(e) neither MTL nor any of its Subsidiaries has entered into any investment funds, programs or arrangements pursuant to which it has made any contractual or other binding commitment that has not been fully funded as reflected in the unaudited MTL GAAP Financial Statements for the 12 months period ended December 31, 2014, or the unaudited MTL SAP Statements for the 12 months period ended December 31, 2014;

(f) neither MTL nor any of its Subsidiaries has agreed, committed, arranged or entered into any understanding to do anything set forth in these paragraphs (a) through (e) of this Section 5.8; and

(g) there has not occurred any event, change or development which individually or in the aggregate has had or may reasonably be expected to have an MTL Material Adverse Effect.

Section 5.9. No Undisclosed Liabilities. Except as disclosed in the Financial Statements delivered to Pan-American pursuant to Section 5.5 and Section 5.6 hereof, MTL has no Liabilities, other than (a) those arising since the date of the applicable Financial Statement in the Ordinary Course of Business, (b) Liabilities incurred after the date of this Agreement without violation of Section 6.1 hereof, or (c) Liabilities that, individually or in the aggregate, are not reasonably likely to result in an MTL Material Adverse Effect.

Section 5.10. Taxes and Tax Returns. (a) All material Tax Returns required to be filed by MTL or any of its Subsidiaries have been timely filed (taking into account any extensions of time for filing such Returns); (b) at the time filed, such Returns were (and, as to Returns not filed as of the date hereof, will be) true, complete and correct in all material respects and has timely paid or caused to be timely paid all Taxes due and payable for periods covered by such Returns; (c) the accruals and reserves reflected in the audited MTL GAAP Financial Statements or SAP Statements, as the case may be, of MTL and of the MTL Subsidiaries for the year ended December 31, 2013 and the unaudited MTL GAAP Financial Statements or SAP Statements, as the case may be, of MTL and of the MTL Subsidiaries for the year ended December 31, 2014 are adequate in all material respects to cover all Taxes accrued through the dates thereof for those and any prior periods in accordance with GAAP or SAP, as the case may be; (d) there are no material Liens for Taxes upon the Assets of MTL or its Subsidiaries, except liens for Taxes not yet due; (e) neither MTL nor any of its Subsidiaries has received a Tax Ruling or entered into a Closing Agreement with any taxing authority that would have a continuing adverse effect after the Effective Time of the Merger; (f) neither MTL nor any MTL Subsidiary is a party to any Tax allocation or sharing agreement (other than among themselves, the primary purpose of which is to share Tax payment and allocation liabilities arising in the ordinary course) and neither MTL or any MTL Subsidiary has any Liability for Taxes of any Person (other than MTL or an MTL Subsidiary under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law)), as a transferee or successor, or by Contract (outside the Ordinary Course of Business); (g) neither MTL nor any of its Subsidiaries has participated (within the meaning of Treasury Regulation Section 1.6011-4(c)(3)(i)(A)) in, or is currently participating in, any "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2), and any other reportable transaction within the meaning of Treasury Regulation Section 1.6011-4(b) which MTL or any of its Subsidiaries has participated in, has been properly disclosed to the extent required by such Treasury Regulation; (h) there are no outstanding deficiencies, assessments or written proposals for the assessment of Taxes proposed, asserted or assessed against MTL or any of its Subsidiaries; (i) no federal, state, local or foreign audits, actions, or other administrative or court proceedings are pending or have been threatened in writing with regard to any Taxes or Tax Returns of MTL or any of its Subsidiaries; (j) none of MTL nor any of its Subsidiaries has participated in a transaction to which Section 355 of the Code applies in the three years prior to this Agreement; and (k) none of MTL nor any of its Subsidiaries has taken any action or knows of any fact, agreement, plan or other circumstance that could reasonably be expected to preclude either of the Mergers from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 5.11. Litigation. (a) There are no Proceedings or investigations pending or, to the Knowledge of MTL or any MTL Subsidiary, threatened against, relating to, involving or otherwise affecting MTL or any MTL Subsidiary which, individually or in the aggregate, would reasonably be expected to have an MTL Material Adverse Effect; and (b) neither MTL nor any MTL Subsidiary is subject to any Order, except for Orders which, individually or in the aggregate, do not and would not reasonably be expected to have an MTL Material Adverse Effect.

Section 5.12. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon any arrangements made by or on behalf of MTL.

Section 5.13. Compliance with Law.

(a) Neither MTL nor any MTL Subsidiary is, or since January 1, 2012 has been, in violation in any material respect of any term or provision of any Law applicable to it or any of its Assets. Without limiting the generality of the foregoing, since January 1, 2012, each of MTL and the MTL Subsidiaries has filed or caused to be filed all reports, statements, documents, registrations, filings or submissions which were required by any such Law to be filed by it and all such filings complied in all material respects with all such Laws when filed. MTL has delivered to Pan-American all reports reflecting the results of examinations of the affairs of MTLIC issued by Governmental Entities for any period ending on a date on or after January 1, 2012 (except those reports that were immaterial in nature), and all deficiencies or violations in such reports for any prior period have been resolved. All outstanding Insurance Contracts issued or assumed by MTLIC are, to the extent required by applicable Law, on forms and at rates approved by the insurance Governmental Entities of the jurisdictions where issued (except for immaterial deviations from such approved forms) or have been filed with and not objected to by such authorities within the periods provided for objection.

(b) Neither MTL nor any of its Subsidiaries is a party to any Contract with or other undertaking to, or is subject to any Order by, or is a recipient of any supervisory letter or other oral or written communication of any kind from, any Governmental Entity which (i) results or is reasonably likely to result in an MTL Material Adverse Effect; or (ii) has been received since January 1, 2012 and relates to marketing sales, trade or underwriting practices (other than routine correspondence).

Section 5.14. Product Tax Matters.

(a) The Tax treatment of each MTL U.S. 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 that was purported to apply in written materials provided by the issuer of such MTL U.S. Insurance Contract, in each case at the time of its issuance (or any subsequent modification of such MTL U.S. Insurance Contract) or for which such MTL U.S. Insurance Contract would reasonably have been expected to qualify at the time of issuance (or subsequent modification), in each case except where the failure to have such Tax treatment, individually or in the aggregate, is not, and would not reasonably be expected to be, material to the issuer of any such MTL U.S. Insurance Contract. The issuer of any MTL U.S. Insurance Contract has no reason to believe that the Tax treatment of any such MTL U.S. Insurance Contract will at any time be less favorable to the purchaser, policyholder or intended beneficiaries thereof than the Tax treatment either that was purported to apply in written materials provided by the issuer of such MTL U.S. Insurance Contract, in each case at the time of its issuance (or any subsequent modification of such MTL U.S. Insurance Contract), or for which any such MTL U.S. Insurance Contract would reasonably have been expected to qualify, at the time of issuance (or subsequent modification), except where the failure to have such Tax treatment would not be material to any such issuer.

(b) The issuer of each MTL U.S. Insurance Contract maintains systems that are adequate to maintain compliance with qualification provisions of the Code, including, when applicable, Sections 7702 and 7702A of the Code, and to comply with the withholding and reporting requirements of the Code applicable to the MTL U.S. Insurance Contracts, including Sections 3405 and 6047 of the Code, except where failure to maintain such systems would not be material to any such issuer.

Section 5.15. Employee Benefit Plans; ERISA.

(a) Section 5.15(a) of the MTL Disclosure Schedule contains a correct and complete list of each MTL Benefit Plan.

(b) MTL has provided or made available to Pan-American or its counsel with respect to each and every MTL Benefit Plan a true and complete copy of all plan documents, if any, including related trust agreements, funding arrangements, and insurance contracts and all amendments thereto; and, to the extent applicable, (i) the most recent determination letter, if any, received by MTL or any of the MTL Subsidiaries from the IRS regarding the tax-qualified status of such MTL Benefit Plan or, if applicable, the most recent opinion letter relating to the underlying prototype or volume submitter plan on which the MTL Benefit Plan is based; (ii) the most recent financial statements for such MTL Benefit Plan, if any; (iii) the most recent actuarial valuation report, if any; (iv) the current summary plan description and any summaries of material modifications provided after the date of the current summary plan description; and (v) Form

5500 Annual Returns/Reports, together with all schedules thereto, for the most recent plan year.

(c) No MTL Benefit Plan is (i) subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code, (ii) a "multiemployer plan" as defined in Section 3(37) of ERISA, or (iii) a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA, and none of MTL, or any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included MTL or any of the MTL Subsidiaries, or that is, or was at the relevant time, a member of the same "controlled group" as MTL or any of the MTL Subsidiaries pursuant to Section 4001(a)(14) of ERISA (each such entity, being, an "MTL ERISA Affiliate") has at any time within the last six years maintained a plan subject to Title IV or Section 302 of ERISA or withdrawn at any time within the preceding six years from any multiemployer plan, or incurred any withdrawal liability which remains unsatisfied, and no events have occurred and no circumstances exist that could reasonably be expected to result in any such liability to MTL or any of the MTL Subsidiaries.

(d) Except as could not result in a material liability to MTL or any of its Subsidiaries, no event has occurred and no condition exists that would reasonably be expected to subject MTL (or any of its Subsidiaries) to any (i) Tax, penalty, fine or (ii) Lien, in each case, on account of employee benefit plans maintained, sponsored, contributed to, or required to be contributed to by, an MTL ERISA Affiliate (other than MTL and any of its Subsidiaries).

(e) With respect to each MTL Benefit Plan that is intended to qualify under Section 401(a) of the Code, such plan, and its related trust, has received, has an application pending or remains within the remedial amendment period for obtaining, a determination letter from the IRS that it is so qualified and that its trust is exempt from Tax under Section 501(a) of the Code, or is based on a prototype or volume submitter plan document with respect to which the IRS has issued a favorable opinion or advisory letter, and nothing has occurred with respect to the operation of any such plan which could reasonably be expected to cause the loss of such qualification or exemption or the imposition of any material liability, penalty or tax under ERISA or the Code.

(f) There are no pending or, to the Knowledge of MTL, threatened material actions, claims or lawsuits against or relating to any MTL Benefit Plan or against any fiduciary of any MTL Benefit Plan with respect to the operation of such plan (other than routine benefits claims).

(g) Each MTL Benefit Plan has been established and administered in all material respects in accordance with its terms, and in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable laws, and all contributions (including all employer contributions and employee salary reduction contributions) required to have been made under any of MTL Benefit Plans to any funds or trusts established thereunder or in connection therewith have been made or have been accrued and reported on MTL's Financial Statements.

(h) None of the MTL Benefit Plans provides retiree health or life insurance benefits except as may be required by Section 4980B of the Code and Section 601 of ERISA or any other applicable law or at the expense of the participant or the participant's beneficiary. There has been no material violation of the "continuation coverage requirement" of "group health plans" as set forth in Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA with respect to any MTL Benefit Plan to which such continuation coverage requirements apply.

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby will (either alone or in combination with another event) (i) result in any payment becoming due, or increase the amount of any compensation or benefits due, to any current or former employee of MTL and any of its Subsidiaries or with respect to any MTL Benefit Plan; (ii) increase any benefits otherwise payable under any MTL Benefit Plan; or (iii) result in the acceleration of the time of payment or vesting of any such compensation or benefits.

(j) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby will (either alone or in combination with another event) result in the payment of any amount that would, individually or in combination with any other such payment, not be deductible as a result of Section 280G of the Code. Neither MTL nor any MTL Subsidiary is a party to any Contract or arrangement that, separately or in the aggregate, could, by reason of the transactions contemplated by this Agreement, give rise to the payment of any "excess parachute payment" within the meaning of Section 280G of the Code.

(k) Except as could not result in a material liability to MTL or the MTL Subsidiaries, each MTL Benefit Plan that is a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code) is in documentary compliance with, and has been administered (i) in good faith compliance with Section 409A of the Code for the period beginning October 1, 2004 through December 31, 2008, and (ii) in compliance with Section 409A of the Code since January 1, 2009.

(l) Except as could not result in a material liability to MTL or its Subsidiaries, all MTL Benefit Plans subject to the laws of any jurisdiction outside of the United States (the "Non-U.S. MTL Benefit Plans") (i) have been maintained in accordance with all applicable laws, regulations, rules and the respective requirements of their governing documents, (ii) if they are intended to qualify for special tax treatment, meet all requirements for such treatment, and (iii) if they are intended to be funded and/or book-reserved, are fully funded and/or book reserved, as appropriate, based upon reasonable actuarial assumptions. The aggregate unfunded liabilities, after giving effect to any reserves for such liabilities, with respect to the Non-U.S. MTL Benefit Plans would not reasonably be expected to result in a material liability to MTL and its Subsidiaries, taken as a whole. There are no pending or threatened actions against MTL or any of its Subsidiaries with respect to any Non-U.S. MTL Benefit Plan which would reasonably be expected to result in a material liability to MTL and its Subsidiaries, taken as a whole, and to the Knowledge of MTL, no event has occurred that could subject any party to the imposition of any penalty that would reasonably be expected to result in a material liability to MTL and its Subsidiaries, taken as a whole.

(m) With respect to each MTL Benefit Plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there has been no failure to satisfy the minimum funding standard within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA, whether or not waived; (ii) all premiums to the PBGC have been timely paid in full; (iii) no liability (other than for premiums to the PBGC and other than payment of benefits) under Title IV of ERISA has been or is expected to be incurred by MTL or any of the MTL Subsidiaries; (iv) the PBGC has not instituted proceedings to terminate any such MTL Benefit Plan, and no condition exists that presents a risk that such proceedings will be instituted or which would constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any such MTL Benefit Plan; and (v) there has been no determination that any such MTL Benefit Plan is in "at risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code).

Section 5.16. Assets. Except as set forth in the footnotes to the Financial Statements previously delivered to Pan-American pursuant to Section 5.5 and Section 5.6 hereof and except for Assets disposed of since December 31, 2014 in arm's length transactions at prices reasonably believed to be fair market value in the Ordinary Course of Business, MTL (on its own or through its Subsidiaries) has good title to all Assets that are disclosed or otherwise reflected in its unaudited MTL GAAP Financial Statements for the year ended December 31, 2014 and all Assets acquired thereafter and all such Assets are owned by such Persons, free and clear of all Liens, other than Permitted Liens.

Section 5.17. Environmental Matters.

(a) Each of MTL and the MTL Subsidiaries is, and, to the Knowledge of each of MTL and the MTL Subsidiaries, all MTL Operating Facilities (including, with respect to any MTL Operating Facility, all owners or operators thereof), are in compliance in all material respects with all applicable Environmental Laws. To the Knowledge of each of MTL and any of its Subsidiaries, neither MTL nor any of its Subsidiaries has received any communication (written or oral), that alleges that MTL or any of its Subsidiaries or any MTL Operating Facility (including, with respect to any MTL Operating Facility, any owner or operator thereof) is not in such material compliance, and, to the Knowledge of each of MTL and any of its Subsidiaries, there are no circumstances that may prevent or interfere with such material compliance in the future. All material Licenses held on the date hereof by MTL or any of its Subsidiaries pursuant to Environmental Laws required for the conduct of business of MTL and any of its Subsidiaries as currently conducted in all material respects are identified in Section 5.17(a) of the MTL Disclosure Schedule.

(b) There is no Environmental Claim pending against MTL or any MTL Subsidiary or MTL Operating Facility or, to the Knowledge of each of MTL and the MTL Subsidiaries, pending in respect of any Investment Asset, threatened against MTL or any MTL Subsidiary or MTL Operating Facility, or threatened against any Person whose Liability for any Environmental Claims MTL or any MTL Subsidiary has or may have retained or assumed either contractually or by operation of Law, except for Environmental Claims which, individually or in the aggregate, may not reasonably be expected to have an MTL Material Adverse Effect. To the Knowledge of each of MTL and its Subsidiaries, there are no facts or conditions relating to the presence of, release of, or exposure to Hazardous Substances at, on or from any MTL Operating Facility or any Investment Asset that is reasonably likely to result in an MTL Material Adverse Effect.

(c) To the Knowledge of MTL or any MTL Subsidiary, no Hazardous Substances are present in, stored at or otherwise managed at any MTL Operating Facility, and no Hazardous Substances from any MTL Operating Facility have been disposed of by MTL or any MTL Subsidiary at any other property, in each case in a manner that is reasonably likely to result in an MTL Material Adverse Effect.

Section 5.18. Labor Matters.

(a) Neither MTL nor any of its Subsidiaries is a party to any collective bargaining agreement, labor union contract applicable to its employees or similar agreement or work rules or practices with any labor union, works council, labor organization or employee association applicable to employees of MTL or any of the MTL Subsidiaries nor does MTL have Knowledge of any activities or proceedings of any labor union, works council, labor organization or employee association to organize any such employees.

(b) There are no strikes or lockouts pending with respect to any employees of MTL or any of its Subsidiaries, there is no union organizing effort pending or threatened against MTL or any of the MTL Subsidiaries, there is no unfair labor practice, labor dispute (other than routine individual grievances), or labor arbitration proceeding pending or, to the Knowledge of MTL, threatened, with respect to the employees of MTL or any of its Subsidiaries, and there is no slowdown or work stoppage in effect or, to the Knowledge of MTL, threatened with respect to the employees of MTL or any of the MTL Subsidiaries, except, in each case, as would not have, or would not reasonably be expected to have, an MTL Material Adverse Effect.

(c) Except as would not have, or would not reasonably be expected to have, an MTL Material Adverse Effect, each of MTL and its Subsidiaries are, and have been, in compliance in all respects with all applicable laws relating to employment and employment practices, the classification of employees, wages, overtime, hours, collective bargaining, unlawful discrimination, civil rights, safety and health, workers' compensation and terms and conditions of employment. There are no charges with respect to or relating to either of MTL or the MTL Subsidiaries pending or, to the Knowledge of MTL, threatened before the Equal Employment Opportunity Commission or any national, federal, state or local agency, domestic or foreign, responsible for the prevention of unlawful employment practices. Neither MTL nor any of the MTL Subsidiaries has received any written notice from any national, federal, state or local agency, domestic or foreign, responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of either of MTL or the MTL Subsidiaries and no such investigation is in progress. There is no lawsuit, grievance, administrative hearing, workers compensation or workplace safety and insurance claim, employment standards complaint, pay equity complaint, occupational health and safety charge, claim or investigation of wrongful (including constructive) discharge, employment discrimination or retaliation, sexual harassment, unfair labor practice charge or complaint or other employment dispute of any nature pending or threatened, against MTL or any of its Subsidiaries that would reasonably be expected to result in a material liability to MTL and its Subsidiaries, taken as a whole.

(d) Except as would not have, or would not reasonably be expected to have, an MTL Material Adverse Effect, neither MTL nor any of its Subsidiaries has incurred any liability or obligations with respect to any "mass layoff" or "plant closing" as defined by, and pursuant to, WARN with respect to the current or former employees of MTL or its Subsidiaries.

(e) Except as would not have, or would not reasonably be expected to have, an MTL Material Adverse Effect, all independent contractors of MTL and the MTL Subsidiaries (and any other independent contractor who previously rendered services for MTL or the MTL Subsidiaries, at any time) have been, and currently are, properly classified and treated by MTL and its Subsidiaries, as applicable, as independent contractors and not as employees. All such independent contractors have in the past been, and continue to be, properly and appropriately treated as non-employees for all U.S. federal, state, and local and non-U.S. Tax purposes. MTL and the MTL Subsidiaries have fully and accurately reported their independent contractors' compensation on IRS Forms 1099 (or otherwise in accordance with applicable law) when required to do so, and MTL and the MTL Subsidiaries do not have, nor have they ever had, any liability to provide benefits with respect to their independent contractors under MTL Benefit Plans or otherwise. At no time within the preceding two years has any independent contractor brought a claim against MTL or the MTL Subsidiaries challenging his or her status as an independent contractor or made a claim for additional compensation or any benefits under any MTL Benefit Plan or otherwise.

Section 5.19. Related Party Transactions. Section 5.19 of the MTL Disclosure Schedule sets forth a complete and accurate list of all Contracts between MTL or any of its Subsidiaries, on the one hand, and any director or officer of MTL or any of its Subsidiaries or Affiliate or an immediate family member or member of the same household of such director or officer (other than MTL or any of its Subsidiaries), on the other hand (an "MTL Related Party Transaction").

Section 5.20. Producers.

(a) MTLIC and each of its producers or agents are and have been since January 1, 2012, in connection with the MTL Insurance Contracts, in compliance in all material respects with all applicable Laws regulating the marketing and sale of life insurance policies and annuity contracts, regulating advertisements, requiring mandatory disclosure of policy information, requiring employment of standards to determine if the purchase of a 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 purposes of this Section 5.20(a), (i) "advertisement" means any material designed to create public interest in life insurance policies and annuity contracts or in an insurer, or in an insurance producer or agent, or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain such a policy or contract and (ii) "replacement transaction" means a transaction in which a new life insurance policy or annuity contract is to be purchased by a prospective insured and the proposing producer or agent knows or should know that one or more existing life insurance policies or annuity contracts will lapse, or will be forfeited, surrendered, reduced in value or pledged as collateral. Since January 1, 2012, neither MTLIC nor any producer or agent acting on its behalf has directly or indirectly marketed or sold any health insurance policies.

(b) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have an MTL Material Adverse Effect, since January 1, 2012 (i) MTLIC and its producers or agents, at the time that such producer or agent wrote, sold or produced any MTL Insurance Contract, was duly licensed, authorized and appointed (for the type of business written, sold or produced by such producer or agent) in the particular jurisdiction in which such producer or agent wrote, sold or produced such business, and no such producer or agent violated any term or provision of applicable Law relating to the writing, sale or production of such business in any material respect, (ii) no producer or agent has breached the terms of any agency or broker Contract with MTL, any MTL Group member or any of their respective Affiliates in any material respect or violated any applicable Law or policy of MTL, any MTL Group member or any of their respective Affiliates in the solicitation, negotiation, writing, sale or production of such business in any material respect and (iii) no producer or agent has been enjoined, indicted, convicted or made the subject of any consent decree or judgment on account of any violation in any material respect of any applicable Law in connection with such producer's or agent's actions in his, her or its capacity as a producer or agent for the MTL Insurance Contracts, and there exists no enforcement or disciplinary proceeding alleging any such violation.

Section 5.21. Contracts.

(a) Section 5.21(a) of the MTL Disclosure Schedule contains a true and complete list of all of the following Contracts in force as of the date of this Agreement (which have been previously made available to Pan-American), (x) to which MTL or any of its Subsidiaries is a party or (y) by which any Assets of MTL or any of its Subsidiaries are or may be bound, as such Contracts may have been amended to the date of this Agreement (in each case, other than any Contract related to any MTL Related Party Transaction):

(i) all material employment, agency, brokerage, consultation, retirement (other than pursuant to the existing provisions of any MTL Benefit Plan in full force and effect on the date of this Agreement), representation or other Contracts with present or former employees, agents or consultants (including loans or advances to any such Person);

(ii) all material Contracts with any Person containing any provision or covenant (i) limiting the ability of MTL or any of its Subsidiaries to engage in any line of business, to compete with any Person, to do business with any Person or in any location or to employ any person or (ii) limiting the ability of any Person to compete with MTL or any of its Subsidiaries;

(iii) all material Contracts relating to the borrowing of money by MTL or any of its Subsidiaries or the direct or indirect guarantee by MTL or any of its Subsidiaries of any obligation of any Person for borrowed money or other financial obligation of any Person (other than indebtedness in respect of Investment Assets), or any other Liability of MTL or any of its Subsidiaries in respect of indebtedness for borrowed money or other financial obligation of any Person (other than indebtedness in respect of Investment Assets);

(iv) all Contracts with any Person containing material ongoing obligations of indemnification by MTL or any of its Subsidiaries of any Person;

(v) all leases or subleases of material real property used in the conduct of the business of MTL or any of its Subsidiaries;

(vi) all Contracts relating to the future disposition or acquisition of any material interest in any business enterprise, and all Contracts relating to the future disposition of a material portion of the Assets of MTL and its Subsidiaries, taken as a whole, other than in the case of each of the foregoing any Investment Asset or interest in any business enterprise or Assets to be acquired or disposed of in the Ordinary Course of Business;

(vii) all Contracts between any Subsidiary and any of its top five producers (measured by gross written premium for the year ended December 31, 2014);

(viii) all Contracts relating to the development, ownership, licensing or use of any Intellectual Property material to the business of MTL and its Subsidiaries, taken as a whole; and

(ix) all other material Contracts (other than (i) Insurance Contracts, (ii) Contracts relating to Investment Assets entered into in the Ordinary Course of Business, (iii) employment Contracts that are not otherwise required to be set forth in Section 5.15 or Section 5.21 of the MTL Disclosure Schedule, (iv) Reinsurance Treaties and (v) other Contracts which are expressly excluded under any other subsection of this Section 5.21) that involve or are reasonably likely to involve the payment pursuant to the terms of such Contracts by or to MTL of one million dollars ($1,000,000) or more, or that are otherwise material to MTL and its Subsidiaries taken as a whole.

(b) Section 5.21(b) of the MTL Disclosure Schedule also contains, as of the date of this Agreement, a list of all Contracts with third party administrators of MTL and its Subsidiaries.

(c) Each of the Contracts listed in Sections 5.21(a) and (b) of the MTL Disclosure Schedule has been made available to Pan-American and is in full force and effect and (assuming each such Contract is a valid and binding obligation of the other parties thereto) constitutes a valid and binding obligation of MTL and each of its Subsidiaries, to the extent that it is a party thereto, and, to the Knowledge of MTL and its Subsidiaries, of each other Person that is a party thereto in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at Law), and neither MTL nor any of its Subsidiaries is, and, to the Knowledge of MTL and its Subsidiaries, no other party to such Contract is, on the date hereof, in material violation, breach or default of any such Contract or with notice or lapse of time or both would be in material violation, breach or default of any such Contract, except for any violation, breach or default which, individually or in the aggregate, is not reasonably likely to result in an MTL Material Adverse Effect. No such Contract contains any provision providing that any other party thereto may terminate such Contract by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby.

Section 5.22. Internal Controls. MTL has devised and maintained a system of internal accounting controls with respect to its business sufficient to provide reasonable assurances that: (i) transactions are executed according to the management's general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conforming with SAP and to maintain accountability for assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; and (iv) recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 5.23. Insurance Contracts, Reinsurance Treaties and Investment Policies.

(a) Since January 1, 2012, all benefits payable to any Person under any Insurance Contract of MTLIC have in all material respects been paid (or provision as required under SAP for payment thereof has been made) in accordance with the terms of the Insurance Contracts under which they arose, and such payments were not materially delinquent and were paid without fines or penalties, except for any such claims or claim for benefits of less than $2,000,000 for which MTLIC reasonably believes there is a reasonable basis to contest payment and is taking (or is preparing to take) such action or as set forth in Section 5.23 of the MTL Disclosure Schedule.

(b) MTL has made available to Pan-American a copy of all written investment policies and procedures for MTL and its Subsidiaries in effect on the date hereof. MTL and each MTL Subsidiary have at all times since January 1, 2012 complied in all material respects with their applicable investment policies and procedures in effect at such times.

(c) Section 5.23(c) of the MTL Disclosure Schedule contains a true and complete list of all Reinsurance Treaties in force as of the date of this Agreement (which have previously been made available to Pan-American) to which MTLIC is a party or by which any Assets of MTLIC are or may be bound, as such Reinsurance Treaties may have been amended to the date of this Agreement. Each such Reinsurance Treaty is in full force and effect and (assuming each such Reinsurance Treaty is a valid and binding obligation of the other parties thereto) constitutes a valid and binding obligation of MTLIC and, to the Knowledge of MTL and its Subsidiaries, of each other Person that is a party thereto in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at law), and MTLIC is not, and, to the Knowledge of MTL and its Subsidiaries, no other party to such Reinsurance Treaty is, on the date hereof, in material violation, breach or default of any such Reinsurance Treaty or with notice or lapse of time or both would be in material violation, breach or default of any such Reinsurance Treaty, except for any violation, breach or default which, individually or in the aggregate, is not reasonably likely to result in an MTL Material Adverse Effect. MTL has reasonably concluded that all reinsurance, coinsurance or similar recoverable amounts reflected in the MTL SAP Statements are collectible, and MTL has no Knowledge of any material adverse change in the financial condition of its reinsurers that might have a material adverse effect on their ability to honor their reinsurance, coinsurance or similar commitments. As of the date hereof, no party to any Reinsurance Treaty listed in Section 5.23(c) of the MTL

Disclosure Schedule has given written notice to MTL or any MTL Subsidiary that such party intends to terminate, cancel or materially alter the pricing of any such Reinsurance Treaty as a result of or following consummation of the Mergers. With respect to each such Reinsurance Treaty, to the Knowledge of MTL, no event has occurred that, with the passage of time or the giving of notice or both would permit material modification, acceleration or termination thereof. None of such Reinsurance Treaties contains any provision providing that the other party thereto may terminate or materially alter the pricing of the same by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby, or contains any other provision which would be materially altered or otherwise become applicable by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby. Since January 1, 2012, no Reinsurance Treaty listed in Section 5.23(c) of the MTL Disclosure Schedule has been cancelled. Since January 1, 2012, there have been no material disputes under any such Reinsurance Treaty other than disputes in the Ordinary Course of Business for which adequate loss reserves have been established.

(d) There are no material outstanding claims or assessments against MTL or any MTL Subsidiary by any insurance guaranty association, joint underwriting association, residual market facility or assigned risk pool. To the Knowledge of MTL, no such material claim or assessment is pending.

Section 5.24. Operations Insurance. MTL has made available to Pan-American copies of all liability, property, workers' compensation, directors and officers liability, and other similar insurance contracts that insure the Business or properties of MTL or any MTL Subsidiary or affect or relate to the ownership, use, or operations of any Assets of MTL or any MTL Subsidiary and that have been issued to MTL or any MTL Subsidiary. All such Insurance Contracts are in full force and effect and are with financially sound and reputable insurers, and all premiums due and payable thereon have in all material respects been paid in full on a timely basis. All notices of material reportable incidents with respect to such insurance occurring during the last five (5) years have been given in writing to appropriate carriers on a basis sufficiently timely to preserve the right of recovery of such insurance, and a copy of all such notices has been made available to Pan-American. No party to any Insurance Contract has to the Knowledge of MTL or any MTL Subsidiary, stated an intent or threatened to terminate or materially increase the premium in respect of any such Insurance Contract.

Section 5.25. Intellectual Property. Section 5.25 of the MTL Disclosure Schedule sets forth a list of all Registered Intellectual Property owned by or licensed to MTL and any MTL Subsidiary. Such Registered Intellectual Property is valid and subsisting and, to the Knowledge of MTL and any MTL Subsidiary, enforceable. Except as would not, individually or in the aggregate, be reasonably likely to result in an MTL Material Adverse Effect, (i) MTL and any MTL Subsidiary owns, free and clear of all Liens (except for Permitted Liens and contractual agreements with respect to licensing and maintenance fees), or has a license or other right to use, all material Intellectual Property to the extent necessary for the conduct of its Business as currently conducted; (ii) there is no Proceeding pending against MTL nor any MTL Subsidiary, or to the Knowledge of MTL or any MTL Subsidiary, threatened against MTL or any MTL Subsidiary in the past three (3) years alleging that MTL or any MTL Subsidiary is infringing any Intellectual Property rights of any Third Party; and (iii) neither MTL nor any MTL Subsidiary has made any claim against any Third Party that remains pending alleging the infringement of any Intellectual Property right of MTL or such MTL Subsidiary. Each of MTL and the MTL Subsidiaries has taken commercially reasonable efforts to maintain the secrecy of the trade secrets owned by it. The Computer Systems and Computer Software owned or used by MTL or any MTL Subsidiary in the conduct of its Business are sufficient in all material respects for the immediate needs of the Business of MTL and each MTL Subsidiary, other than upgrades in the Ordinary Course of Business.

Section 5.26. Investment Company. Neither MTL nor any of its Subsidiaries is required to be registered as an "investment company" as defined under the Investment Company Act, and neither MTL nor any of its Subsidiaries sponsors any Person that is required to be registered as an investment company. Neither MTL nor any of its Subsidiaries conducts activities of or is otherwise deemed under applicable Law to control an "investment adviser" as such term is defined in Section 2(a)(20) of the Investment Company Act, whether or not registered under the Investment Advisers Act. No MTL Subsidiary is engaged in any activity that would require registration by MTL or any MTL Subsidiary as an investment company, broker-dealer, investment advisor or fund administrator under any applicable state or federal Law, including the Exchange Act, the Investment Company Act, and the Investment Advisers Act.

Section 5.27. Risk-Based Capital. MTL has made available to Pan-American the Risk-Based Capital Reports. The Risk-Based Capital Reports are true, accurate and complete in all material respects. Since January 1, 2006, none of MTL or any of its Subsidiaries has suffered a decrease in its Risk-Based Capital to "Company Action Level."

Section 5.28. Foreign Corrupt Practices and Anti-Bribery. None of MTL, any of its Subsidiaries, nor to the Knowledge of MTL, any director, officer, agent or employee thereof with respect to any matter relating to MTL or its Subsidiaries, has: (a) used any funds for unlawful contributions, loans, donations, gifts, entertainment or other unlawful expenses relating to political activity; (b) made or agreed to make any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns; (c) taken any action that would constitute a violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd 1 *et seq.* or its equivalent in any jurisdiction where MTL or its Subsidiaries conduct Business, if MTL or its Subsidiaries were subject thereto; or (d) made or agreed to make any other unlawful payment.

Section 5.29. MTL Dividend Policy. MTL and its applicable Subsidiaries have complied in all material respects with the terms and provisions of the dividend policy included in MTL's mutual holding company conversion plan set forth in Section 5.29 of the MTL Disclosure Schedule (the "MTL Post-Conversion Dividend Principles and Policy") at all times since the MTL Post-Conversion Dividend Principles and Policy became effective.

ARTICLE VI.
COVENANTS

Section 6.1. Conduct of Business Pending the Mergers. Each of Pan-American and MTL covenants and agrees as to itself and its Subsidiaries (except as otherwise specified below) that, prior to the Effective Time, unless the other Party shall otherwise agree in writing or except as set forth in Section 6.1 of the Pan-American Disclosure Schedule or Section 6.1 of the MTL Disclosure Schedule or as otherwise expressly contemplated by this Agreement or required by Law:

(a) the Business of each Party and its Subsidiaries shall be conducted only in the Ordinary Course of Business;

(b) Pan-American and MTL and their respective Subsidiaries shall use their respective reasonable best efforts to preserve their respective relationships with Members, Policyholders, insureds, agents, brokers, suppliers, customers, depositors and others having business dealings with them to the end that their respective goodwill and ongoing businesses shall not be impaired in any material respect;

(c) other than in the Ordinary Course of Business, no Party shall make or propose to make, or permit any of its Subsidiaries to make or propose to make, any change in its premium rates, dividends, underwriting, investment and other material insurance or business practices or policies in any material respect;

(d) no Party shall, nor shall any Party permit any of its Subsidiaries to: (i) amend its articles, by-laws, code of regulations or other organizational or constituent documents, (ii) issue or sell any shares of, or rights of any kind to acquire any shares of or to receive any payment based on the value of, its capital stock or any securities convertible into shares of any such capital stock, (iii) incur any indebtedness for borrowed money other than borrowings of less than three percent (3%) of the value of such Party's Assets, in the aggregate, (iv) make any material change in any method of accounting or accounting practice or policy, except as required by Law, (v) agree to or effect any merger, consolidation, demutualization, redomestication, sale of all or substantially all of its Assets, bulk or assumption reinsurance arrangement or similar reorganization, or business combination, (vi) enter into any Contract that could materially and adversely affect such Party's ability to perform its obligations under this Agreement, (vii) enter into any Contract limiting the ability of such Party or any of its Subsidiaries to engage in any Business, to compete with any Person, to do Business with any Person or in any location or to employ any Person, (viii) enter into any Contract relating to the direct or indirect guarantee (other than the endorsement of negotiable instruments for collection in the Ordinary Course of Business) of any obligation of any Person (other than its Subsidiaries or Surviving Mutual Holding Company) in respect of indebtedness for borrowed money or other financial obligations of any Person (other than its Subsidiaries or ultimate parent), (ix) take any action that would be reasonably likely to adversely affect the status of either the Merger or the Subsequent Merger as a reorganization under Section 368(a) of the Code, or (x) modify any Contract in existence as of the date hereof in such a way as would violate clauses (i) - (ix) above;

(e) MTL shall not, nor shall it permit any of its Subsidiaries to: (i) increase in any manner the compensation of its directors, officers or employees, except in the Ordinary Course of Business or pursuant to the terms of agreements or plans as currently in effect, (ii) except as disclosed in writing to Pan-American prior to the date of this Agreement, pay or agree to pay any pension, severance, retirement allowance or other employee benefit not required by any existing employee benefit plan, agreement or arrangement to any director, officer or employee, whether past or present, except that Pan-American may offer a reasonable employee retention plan or program or a reasonable early retirement plan or program to meet its business needs, (iii) except as required by the terms of any existing plan or Contract, adopt or commit itself to or enter into any additional pension, profit-sharing, bonus, incentive, deferred compensation, group insurance, severance pay, retirement or other employee benefit plan or Contract, or to any employment or consulting agreement with or for the benefit of any Person which cannot be terminated by a Party hereto, its successor in interest or its Subsidiary upon notice of thirty (30) days or less without penalty or premium, (iv) amend any plan or Contract referred to in clause (iii) above, or (v) enter into, adopt or increase any indemnification or hold harmless arrangements with any directors, officers or other employees or agents of any Person;

(f) other than in the Ordinary Course of Business, neither Party shall, nor shall either Party permit any of its Subsidiaries to, make any capital expenditures or commitments for capital expenditures (other than in respect of Investment Assets) which individually exceed five million dollars ($5,000,000), in the case of Pan-American or one million dollars ($1,000,000), in the case of MTL or which in the aggregate for such Party and its Subsidiaries, taken as whole, exceed twenty-five million dollars ($25,000,000), in the case of Pan-American or five million dollars ($5,000,000), in the case of MTL;

(g) other than in the Ordinary Course of Business, neither Party shall, nor shall either Party permit any of its Subsidiaries to, settle or compromise any Proceeding which could result in an expenditure in excess of five million dollars ($5,000,000), in the case of Pan-American or one million dollars ($1,000,000), in the case of MTL;

(h) neither Party shall, nor shall either Party permit any of its Subsidiaries to, take any action that would reasonably be expected to result in a reduction of a Life Insurance Subsidiary's financial strength or claims paying ratings; and

(i) neither Party shall, nor shall either Party permit any of its Subsidiaries to, agree, in writing or otherwise, to take any of the actions prohibited by the foregoing clauses (a) through (h).

Section 6.2. Access and Information; Confidentiality.

(a) Subject to applicable Law and any applicable contractual confidentiality commitments in effect as of the date hereof, Pan-American and MTL shall each afford to the other and the other's representatives reasonable access during normal business hours through the period immediately prior to the Effective Time to all of their respective Assets, Books and Records, Contracts, commitments and records (including Tax Returns and accountants' work papers) and, during such period, Pan-American and MTL shall each furnish promptly to the other (i) a copy of each material report, schedule and other document filed or received by it pursuant to the requirements of Law, including Financial Statements and SAP Statements, and (ii) all such other information concerning its Business, Assets and personnel as the other may reasonably request.

(b) Without limiting the terms thereof, the Confidentiality Agreement shall govern the obligations of Pan-American and MTL with respect to all information of any type furnished or made available to them pursuant to this Section 6.2; provided, however, that after the Effective Time, the Confidentiality Agreement shall be null and void and of no further force and effect.

Section 6.3. Notice of Proceedings. Each of Pan-American and MTL shall promptly notify the other of, and provide to the other all information relating to, any Proceedings or investigations commenced or, to the best of its Knowledge, threatened against, relating to or involving or otherwise affecting Pan-American or MTL or any of their respective Subsidiaries, as the case may be, which, if pending on the date hereof, would have been required to have been disclosed in writing pursuant to Section 4.11 or Section 5.11 hereof or which relate to the execution of this Agreement or the consummation of the transactions contemplated hereby.

Section 6.4. Notification of Certain Other Matters. Pan-American and MTL shall promptly notify each other of and provide each other with all information relating to:

(a) any notice of, or other communication relating to, a default or event which, with notice or lapse of time or both, would become a default, received by such Party or any of its Subsidiaries subsequent to the date of this Agreement under any Contract of a type required to be disclosed pursuant to Section 4.21 or Section 5.21 hereof to which such Party or any of its Subsidiaries is a Party or to which such Party or any of its Subsidiaries or any of its respective Assets may be subject or bound;

(b) the occurrence of any event which, with notice or lapse of time or both, would reasonably be expected to result in a default by such Party or any of its Subsidiaries or, to the Knowledge of such Party, a default by any other Person, under any Contract of a type required to be disclosed pursuant to Section 4.21 or Section 5.21 hereof to which such Party or any of its Subsidiaries is a Party;

(c) any notice or other communication from or to any Person alleging that the consent of such Person is or may be required in connection with the execution of this Agreement of the consummation of the transactions contemplated hereby;

(d) any notice or other communication from or to any rating agency in connection with this Agreement or the transactions contemplated hereby or otherwise and, subject to applicable Law, from or to any Governmental Entity in connection with this Agreement or the transactions contemplated hereby; and

(e) any change or other event which would reasonably be expected to have a Pan-American Material Adverse Effect or an MTL Material Adverse Effect, as the case may be.

In furtherance of the foregoing, to the fullest extent permitted under applicable Law and to the extent reasonably practicable, Pan-American and MTL shall provide each other with copies (or, to the extent written materials are not involved, oral notice) of proposed notices, applications or any other communications to any Governmental Entity or rating agency in connection with this Agreement or the transactions contemplated hereby, in each case at least three (3) Business Days prior to dispatch of written materials (or, to the extent written materials are not involved, prior to initiation) and neither Pan-American nor MTL will, unless otherwise required by applicable Law, dispatch (or, to the extent written materials are not involved, initiate) such notice, application or communication without the prior consent of the other Party, which consent shall not be unreasonably withheld or delayed.

Section 6.5. Indemnification.

(a) From and after the Effective Time, in the event any threatened or actual claim, action, suit, proceeding, or investigation, whether civil, criminal, or administrative, in which any Person who is now, or has been at any time prior to the date of this Agreement, or who becomes prior to the Effective Time a director, officer or employee of MTL or any of its Subsidiaries or any predecessor thereof (each, an "Indemnified Party" and, collectively, the "Indemnified Parties") is, or is threatened to be, made or commenced against any Indemnified Party that is based in whole or in part on, or arises in whole or in part out of, or pertains to (i) the fact that such Indemnified Party is or was a director, officer, or employee of MTL, any of its Subsidiaries, or any of their respective predecessors, or (ii) this Agreement or any of the transactions contemplated hereby, whether in any case asserted or arising before or after the Subsequent Merger Effective Time, the Surviving Mutual Holding Company, the Intermediate Holding Company and MTLIC shall jointly and severally indemnify and hold harmless each such Indemnified Party against any Liability (including reasonable attorneys' fees and expenses which shall in all cases be advanced to an Indemnified Party to the fullest extent permitted by applicable Law upon receipt of any undertaking required by applicable Law), judgments, fines, and amounts paid in settlement in connection with any such threatened or actual claim, action, suit, proceeding, or investigation.

(b) The Surviving Mutual Holding Company, the Intermediate Holding Company and MTLIC agree that all rights to indemnification and all limitations on liability in favor of the Indemnified Parties currently provided in their respective Organizational Documents as in effect as of the date of this Agreement or in any indemnification agreement in existence on the date of this Agreement with MTL or its Subsidiaries or with Pan-American or its Subsidiaries, in each case that is listed in Section 6.5 of the MTL Disclosure Schedule or Section 6.5 of the Pan-American Disclosure Schedule, respectively, shall survive the Mergers and shall continue in full force and effect, and shall be honored by such entities or their respective successors as if they were the indemnifying party thereunder, without any amendment thereto.

(c) The Surviving Mutual Holding Company, the Intermediate Holding Company and MTLIC from and after the Effective Time, will cause the Indemnified Parties to be covered by the current policies of directors' and officers' liability insurance and fiduciary liability insurance with one or more reputable unaffiliated third party insurers having a strong financial strength, claim paying or similar rating, or coverage comparable to that currently afforded to such Indemnified Parties, with respect to acts or omissions occurring prior to the Effective Time (whensoever a claim in respect thereof is made). Such insurance coverage shall commence at the Effective Time and will be provided for a period of no less than six (6) years after the Effective Time.

(d) Following the Effective Time, the Surviving Mutual Holding Company, the

Intermediate Holding Company, and MTLIC shall provide directors' and officers' liability insurance and fiduciary liability insurance with one or more reputable unaffiliated third party insurers with respect to acts or omissions occurring on and after the Effective Time with coverage, amounts and terms at least comparable to other mutual life holding companies of similar asset size and premiums as determined in good faith by their respective Board of Directors.

(e) In the event that the Surviving Mutual Holding Company, the Intermediate Holding Company, and MTLIC or any of their successors or assigns (i) consolidates with or merges into any Person and shall not be the survivor of such consolidation or merger, or (ii) transfers all or substantially all of its properties and Assets to any Person, then in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Mutual Holding Company or the Intermediate Holding Company, or MTLIC, shall assume the obligations of the Surviving Mutual Holding Company, the Intermediate Holding Company, or MTLIC, as the case may be, set forth in this Section 6.5. The provisions of this Section 6.5 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives and shall survive for six (6) years from the Effective Time.

Section 6.6. No Solicitations; Alternative Significant Proposals.

(a) Each Party shall, and shall cause each of its Subsidiaries and each officer, trustee, director, employee, investment banker, financial adviser, attorney, accountant, actuary or other Person retained by it or on its behalf or by or on behalf of any of its Subsidiaries to, immediately cease and terminate any existing activities, discussions, or negotiations regarding the making of any proposal that constitutes, or may lead to, any Reorganization Proposal. Without obtaining the prior written consent of the other Party, neither Pan-American or any Pan-American Subsidiary, nor MTL or any MTL Subsidiary, shall authorize or permit any of its officers, directors or employees or any investment banker, financial adviser, attorney, accountant, actuary or other Person retained by it or on behalf of any of its Subsidiaries, to:

(i) solicit, encourage (including by way of furnishing information), or take any action to pursue any inquiries or the making of any proposal that constitutes, or is reasonably likely to lead to, any Reorganization Proposal;

(ii) participate in any discussions or negotiations regarding, or furnish to any Person other than the other Party hereto (and its representatives) any information with respect to, or otherwise cooperate in any way with, or assist or participate in or facilitate any efforts or attempts by any Person with respect to, any proposal which constitutes, or may lead to, a Reorganization Proposal; or

(iii) agree to, approve or endorse any Reorganization Proposal.

(b) Notwithstanding anything in the foregoing to the contrary, MTL and its Subsidiaries and their respective Boards of Directors, shall be permitted to, any time prior to obtaining the requisite Member approval (and not thereafter), in response to a bona fide written Reorganization Proposal not solicited in violation of, and that did not otherwise result from a breach of, this Section 6.6:

(i) provide information in response to a request therefor by a Person who has made an unsolicited bona fide written Reorganization Proposal (subject to the prior execution of an Acceptable Confidentiality Agreement);

(ii) engage in any negotiations or discussions with any Person who has made an unsolicited bona fide written Reorganization Proposal; or

(iii) (A) (x) withdraw or withhold, or modify, amend or qualify in a manner adverse to Pan-American, the recommendation of its Board of Directors pursuant to Section 2.1 or propose publicly to do any of the foregoing or (y) fail to include such recommendation of its Board of Directors pursuant to Section 2.1 in the information statement sent to its Members, (each of clauses (x) and (y), a "Change in Recommendation"); or (B) cause or permit MTL to terminate this Agreement pursuant to Section 8.3(a) in order for MTL to enter into an agreement regarding a Superior Proposal,

if and only to the extent that, (I) in each such case referred to in clause (i), (ii) or (iii) of Section 6.6(b) above, the Board of Directors of MTL determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with such Board of Directors' fiduciary duties under, or otherwise violate, applicable Laws, provided, that MTL shall promptly (and in no event later than two (2) Business Days after providing such information) provide to Pan-American any information concerning MTL or its Subsidiaries provided to such other Person not previously provided to Pan-American; and (II) in the case of clause (ii) of Section 6.6(b) above, such Board of Directors determines in good faith, after consulting with its financial adviser and outside legal counsel, that such Reorganization Proposal constitutes, or is reasonably likely to result in, a Superior Proposal, and (III) in the case of clause (iii) of Section 6.6(b) above, such Board of Directors determines in good faith, after consultation with its financial adviser and outside legal counsel, that such Reorganization Proposal constitutes a Superior Proposal; provided, however, that MTL shall not make a Change in Recommendation or terminate this Agreement pursuant to Section 8.3(a) in order to enter into an agreement regarding a Superior Proposal, unless and until MTL provides ten (10) Business Days prior written notice to Pan-American of its intention to do so, which notice shall set forth details with respect to the name of the Third Party and the terms of such Reorganization Proposal (it being understood and agreed that any amendment to the material terms of such Reorganization Proposal shall require a new notice and a new ten (10) Business Day period during which MTL will comply with this Section 6.6(b)), and (x) MTL provides Pan-American with a reasonable opportunity to propose changes or modifications to this Agreement so as to cause such Reorganization Proposal no longer to be a Superior Proposal and, if Pan-American proposes to make such adjustments, MTL negotiates with Pan-American in good faith with respect thereto and (y) the Board of Directors of MTL shall have determined in good faith at the end of such notice period and, after considering the results of such negotiations and the revised proposals made by Pan-American, if any, and after consultation with its financial adviser and outside legal counsel, that the Superior Proposal continues to be a Superior Proposal and that the failure to take such action would violate its fiduciary duties under, or otherwise violate, applicable Laws.

(c) Notwithstanding anything in the foregoing to the contrary, Pan-American and its Subsidiaries and their respective Boards of Directors shall be permitted to, any time prior to obtaining the requisite Member approval (and not thereafter), in response to a bona fide written Reorganization Proposal not solicited in violation of, and that did not otherwise result from a breach of, this Section 6.6:

(i) provide information in response to a request therefor by a Person who has made an unsolicited bona fide written Reorganization Proposal (subject to the prior execution of an Acceptable Confidentiality Agreement);

(ii) engage in any negotiations or discussions with any Person who has made an unsolicited bona fide written Reorganization Proposal; or

(iii) enter into an agreement providing for the consummation of an Alternative Significant Transaction,

if and only to the extent that, (I) in each such case referred to in clause (i), (ii) or (iii) of Section 6.6(c) above, the Board of Directors of Pan-American determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with such Board of Directors' fiduciary duties under, or otherwise violate, applicable Laws, provided that Pan-American shall promptly (and in no event later than two (2) Business Days after providing such information) provide to MTL any information concerning Pan-American or its Subsidiaries provided to such other Person not previously provided to MTL; (II) in the case of clause (ii) of Section 6.6(c) above, such Board of Directors determines in good faith, after consulting with its financial adviser and outside legal counsel, that such Reorganization Proposal constitutes, or is reasonably likely to result in, the consummation of an Alternative Significant Transaction; and (III) in the case of clause (iii) of Section 6.6(c) above, such Board of Directors determines in good faith, after consultation with its financial adviser and outside legal counsel, that such Reorganization Proposal constitutes an Alternative Significant Transaction; provided, however, that Pan-American shall not enter into an agreement providing for the consummation of an Alternative Significant Transaction, unless and until Pan-American provides ten (10) Business Days prior written notice to MTL of its intention to do so, which notice shall set forth details with respect to the name of the Third Party and the proposed terms of such Reorganization Proposal (it being understood and agreed that any amendment to the material terms of such Reorganization Proposal shall require a new notice and a new ten (10) Business Day period during which Pan-American will comply with this Section 6.6(c)), and Pan-American provides MTL with a reasonable opportunity to evaluate such Reorganization Proposal and determine whether to exercise its termination right pursuant to Section 8.3(b). Notwithstanding anything to the contrary contained herein, nothing in this Section 6.6(c) or elsewhere in this Agreement shall prohibit Pan-American or the Pan-American Board of Directors from making any disclosure or communication, including any supplement or amendment to any existing disclosure, to the Pan-American Members solely to describe any Alternative Significant Transaction if the Pan-American Board of Directors determines in good faith, after consulting with its outside legal counsel, that the failure to make such disclosure or communication would be inconsistent with such Board of Directors' fiduciary duties under, or otherwise violate, applicable Laws; provided, however, that (x) the Pan-American Board of Directors must reaffirm its recommendation that the Pan-American Members vote in favor of the Merger and must take such other actions required under Section 2.1 and (y) such disclosure shall not in any way disparage the transactions contemplated by this Agreement.

(d) Each Party shall promptly (and in no event later than two (2) Business Days after receipt by, or communication to, the Party or its representatives) advise the other Party orally and in writing of any inquiries or proposals relating to any existing or potential Reorganization Proposal, however preliminary and whether written or oral, and shall communicate the full and complete details of any such inquiry or proposal, including the identity of all Persons involved. Each Party shall keep the other Party reasonably informed on a prompt basis of the status of any Reorganization Proposal, indication, proposal, offer or request, and any related communications to or by the Party or its representatives (including notifying the other Party no later than two (2) Business Days after receipt by or communications to or from such Party or its representatives of any material change or other action with respect thereto). Neither Party shall enter into any confidentiality agreement or other contract that would prohibit such Party from providing any information to the other Party pursuant to this Section 6.6.

(e) Notwithstanding anything in this Agreement to the contrary, at any time prior to obtaining the requisite Member approval (and not thereafter), each Party and its Subsidiaries and its respective Board of Directors shall be permitted, in response to a written request therefor by a Person who has indicated in such written request that it seeks to make, and the Board of Directors of such Party reasonably believes in good faith that such Person is a bona fide and capable Person that seeks to make, an unsolicited inquiry or proposal (whether written or oral) (provided that such request was not received as a result of a breach of this Section 6.6), to provide, or cause to be provided, a copy of this Agreement (subject to the prior execution of an Acceptable Confidentiality Agreement).

Section 6.7. Publicity. Pan-American and MTL shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press releases or other public statements with respect to the transactions contemplated by this Agreement, including the Merger, and shall not issue any such press release or make any such public statement without such consultation and the prior approval of the other Party, except as may be required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange, or any national rating agencies.

Section 6.8. Transfer Taxes. The Surviving Mutual Holding Company shall pay or cause to be paid any real property transfer and similar Taxes to which the Existing MTL Members may be subject as a result of the Mergers and the transactions contemplated by this Agreement, and the Surviving Mutual Holding Company shall file or cause to be filed all Tax Returns relating to such transfer Taxes which are due.

Section 6.9. Tax Treatment. The Parties intend for each of the Merger and the Subsequent Merger to qualify as a reorganization under Section 368(a) of the Code. Each Party and its Affiliates shall use its reasonable best efforts to cause each of the Merger and the Subsequent Merger so to qualify. Each of the Parties agrees that neither it nor any of its Affiliates shall take any action, including any transfer or other disposition of assets or any interest in MTL after the Closing, that would reasonably be expected to cause either the Merger or the Subsequent Merger not to qualify as a reorganization under Section 368(a) of the Code.

Pan-American and its Affiliates shall file all Tax Returns in a manner consistent with treating each of the Merger and the Subsequent Merger as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes and any comparable state, local or foreign tax statute.

Section 6.10. Future Transactions.

(a) Pan-American acknowledges that it has no current intention to: undertake a corporate dissolution, sell the stock of MTLIC, the Intermediate Holding Company or any of its other Subsidiaries through a public offering, redomesticate MTLIC, or demutualize or undertake some other type of corporate reorganization in which an allocation of surplus would be required for a distribution to the Members of the Surviving Mutual Holding Company following the Mergers. Pan-American shall promptly notify MTL in writing if such intention changes prior to the Effective Time and shall provide to MTL, in reasonable detail, a written description of its then-current intention with respect to the foregoing ("Future Transactions Notice"). At the Effective Time, Pan-American shall deliver to MTL a certificate signed on behalf of Pan-American by the chief executive officer of Pan-American reaffirming that the matters set forth in this Section 6.10(a) are true and correct as of the Effective Time ("Future Transactions Bringdown Certificate").

(b) If the Surviving Mutual Holding Company should seek to engage in any such offering, demutualization or other transaction requiring an allocation of cash, benefits, stock or subscription rights among the Members of the Surviving Mutual Holding Company following the Mergers, the Surviving Mutual Holding Company agrees that its Board of Directors will provide all of the Members of the Surviving Mutual Holding Company at that time with fair and equitable treatment under a plan of demutualization or other plan of distribution and, in particular, the distributable amount under any such plan will be developed on a consistent basis for all Members of the Surviving Mutual Holding Company, including those Members who were previously Existing MTL Members, at the time of such distribution. The provisions of this Section 6.10(b) shall survive the consummation of the Merger without limitation as to time as obligations of the Surviving Mutual Holding Company.

ARTICLE VII.
CONDITIONS

Section 7.1. Conditions to Each Party's Obligation to Effect the Mergers. The respective obligations of each Party to deliver the Agreement and to effect the Mergers as contemplated by Section 1.1 and Section 1.2 shall be subject to the fulfillment on or prior to the Effective Time of the following conditions:

(a) This Agreement and the Mergers shall have been approved and adopted by the requisite votes of the Members of Pan-American and MTL, respectively.

(b) All Governmental Approvals that are required to be obtained prior to the Effective Time in connection with the execution and delivery of this Agreement and the consummation of the Mergers and the other transactions contemplated hereby and are set forth in Section 7.1(b) of the Pan-American Disclosure Schedule (the "Required Regulatory Approvals") shall have been made or obtained without the imposition of any Burdensome Condition with respect to the Party asserting the failure of this condition.

(c) The waiting period (and any extension thereof) applicable to the transactions contemplated hereby under the HSR Act shall have been terminated or shall have otherwise expired.

(d) No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any Laws or Orders (whether temporary, preliminary or permanent) that restrains, enjoins or otherwise prohibits the consummation of the Mergers or the other transactions contemplated hereby; provided, however, that the Party invoking this condition shall have used all reasonable best efforts to have any such Order vacated, dismissed or discontinued, as applicable.

Section 7.2. Conditions to Obligation of Pan-American to Effect the Merger. The obligations of Pan-American to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) The representations and warranties of MTL set forth in this Agreement shall be true and correct in all respects (without giving effect to any limitation as to "materiality" or "material adverse effect" or "MTL Material Adverse Effect" contained therein) as though made on and as of the Effective Time (except to the extent any such representation and warranty made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have an MTL Material Adverse Effect or a material adverse effect on the ability of MTL to consummate the Mergers or any other of the transactions contemplated by this Agreement.

(b) MTL shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time.

(c) Pan-American shall have received a certificate signed on behalf of MTL by the chief executive officer and chief financial officer of MTL certifying as to the matters set forth in Sections 7.2(a) and (b).

(d) Since the date of this Agreement there shall not have been any effect, change, event or occurrence that has had, or is reasonably likely to have, individually or in the aggregate, an MTL Material Adverse Effect.

(e) Pan-American shall have received an opinion of counsel of a nationally recognized law firm to the effect that, on the basis of certain specified facts, representations and assumptions that are consistent with the stated facts existing at the Effective Time, each of the Merger and the Subsequent Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may receive and rely upon representations contained in certificates of Pan-American, MTL, and others, and the Parties agree to provide counsel with such certificates as it may reasonably request in connection with rendering its opinion.

(f) Pan-American shall have received an opinion of counsel of a nationally recognized law firm satisfactory to it, to the effect that the extinguishment of the membership interests of the Existing MTL Members and such Existing MTL Members becoming Members of the Surviving Mutual Holding Company should not require registration of the Surviving Mutual Holding Company's membership interests under the Securities Act or the Exchange Act. In rendering such opinion, such counsel may receive and rely upon representations contained in certificates of Pan-American, MTL, and others, and the Parties agree to provide counsel with such certificates as it may reasonably request in connection with rendering its opinion.

(g) MTLIC shall have been and continue to be assigned a financial strength rating of "B++" or a higher rating by A.M. Best Company; and A.M. Best Company shall not have notified Pan-American or MTL or any of their respective Subsidiaries that it will downgrade the rating of MTLIC below "B++".

Section 7.3. Conditions to Obligation of MTL to Effect the Merger. The obligations of MTL to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) The representations and warranties of Pan-American set forth in this Agreement shall be true and correct in all respects (without giving effect to any limitation as to "materiality" or "material adverse effect" or "Pan-American Material Adverse Effect" contained therein) as though made on and as of the Effective Time (except to the extent any such representation and warranty made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a Pan-American Material Adverse Effect or a material adverse effect on the ability of Pan-American to consummate the Mergers or any other of the transactions contemplated by this Agreement.

(b) Pan-American shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time.

(c) MTL shall have received a certificate signed on behalf of Pan-American by the chief executive officer and chief financial officer of Pan-American certifying as to the matters set forth in Sections 7.3(a) and (b).

(d) Since the date of this Agreement there shall not have been any effect, change, event or occurrence that has had, or is reasonably likely to have, individually or in the aggregate, a Pan-American Material Adverse Effect.

(e) MTL shall have received an opinion of counsel of a nationally recognized law firm, to the effect that, on the basis of certain specified facts, representations and assumptions that are consistent with the stated facts existing at the Effective Time, each of the Merger and the Subsequent Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may receive and rely upon representations contained in certificates of Pan-American, MTL, and others, and the Parties agree to provide counsel with such certificates as it may reasonably request in connection with rendering its opinion.

(f) Pan-American shall have delivered to MTL an opinion of counsel of a nationally recognized law firm satisfactory to MTL, to the effect that the extinguishment of the membership interests of the Existing MTL Members and such Existing MTL Members becoming Members of the Surviving Mutual Holding Company should not require registration of the Surviving Mutual Holding Company's membership interests under the Securities Act or the Exchange Act. In rendering such opinion, such counsel may receive and rely upon representations contained in certificates of Pan-American, MTL, and others, and the Parties agree to provide counsel with such certificates as it may reasonably request in connection with rendering its opinion.

(g) Each Person that as of the date hereof (A) is a Pan-American Insurer, (B) is domiciled in the United States and (C) has been assigned a financial strength rating by A.M. Best Company shall have been and continue to be assigned a financial strength rating of "A" or a higher rating by A.M. Best Company, and such rating shall not be (i) subject to a negative watch or outlook or (ii) under review with negative implications or a developing implication for a possible downgrade below "A", other than, in the case of clauses (i) and (ii), pursuant to such rating being subject to a negative watch or outlook or placed under review by A.M. Best Company primarily in connection with the transactions contemplated by this Agreement, and A.M. Best Company has not notified Pan-American or MTL or any of their respective Subsidiaries that it will downgrade the rating of any such Pan-American Insurer below "A" or place any such rating under review with negative implications or a developing implication for a possible downgrade below "A" other than primarily in connection with the transactions contemplated by this Agreement.

(h) Pan-American shall have delivered to MTL a copy of the Advisory Board Charter attached as Exhibit 1.8(a) acknowledged and signed on behalf of Pan-American.

ARTICLE VIII.
TERMINATION

Section 8.1. Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Effective Time by mutual written consent of Pan-American and MTL.

Section 8.2. Termination by Either Pan-American or MTL. This Agreement may be terminated by either Pan-American or MTL at any time prior to the Effective Time:

(a) if any Governmental Entity that must grant a Required Regulatory Approval has denied approval of the Mergers and such denial has become final and nonappealable or any Governmental Entity (including any court of competent jurisdiction) shall have issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; or

(b) if the Effective Time shall not have occurred on or before March 31, 2016 or other date agreed to in writing by the Parties (the "Cut-Off Date"); provided, however, that the right to terminate this Agreement under this Section 8.2 shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Mergers to have been consummated on or before such date; or

(c) if the number of votes in favor of the Mergers and this Agreement cast by the Members of Pan-American or the number of votes in favor of the Mergers and this Agreement cast by the Members of MTL required for the consummation of the Mergers shall not have been obtained at the respective special meetings (or at any adjournment or postponement thereof) duly held for such purpose; or

(d) by written notice to the other Party, if such other Party has committed a Willful and Material Breach of Section 2.1(c), Section 2.1(d), Section 2.2, Section 2.3, Section 2.4(b) or Section 6.6; or

(e) by either the Board of Directors of Pan-American or the Board of Directors of MTL (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein which would be reasonably expected to have a Pan-American Material Adverse Effect or MTL Material Adverse Effect, as the case may be, on such terminating party), if there has been a material breach on the part of the other Party of any representation, warranty or agreement contained herein and such breach would be reasonably expected to have a Pan-American Material Adverse Effect or an MTL Material Adverse Effect, as the case may be, and such breach cannot be or has not been cured within sixty (60) days after written notice by Pan-American to MTL or MTL to Pan-American, as the case may be, of such breach.

Section 8.3. Termination by MTL. This Agreement may be terminated by MTL at any time prior to the Effective Time:

(a) if MTL determines by action of its Board of Directors to enter into a definitive binding agreement with a Third Party providing for the consummation of the transactions contemplated by a Superior Proposal; provided, however, that prior to any such termination, MTL (i) complies in all respects with the provisions of Section 6.6, including, for the avoidance of doubt, the determination by MTL's Board of Directors that such Reorganization Proposal constitutes a Superior Proposal, and (ii) makes the payment contemplated by Section 9.2(c); or

(b) if Pan-American (i) fails to deliver to MTL a Future Transactions Bringdown Certificate at the Effective Time, (ii) delivers to MTL a Future Transactions Notice, or (iii) determines by action of its Board of Directors to enter into a definitive binding agreement with a Third Party providing for the consummation of an Alternative Significant Transaction.

Section 8.4. Termination by Pan-American. This Agreement may be terminated by Pan-American at any time prior to the Effective Time by written notice to MTL, if the Board of Directors of MTL shall have effected a Change in Recommendation.

Section 8.5. Effect of Termination. In the event of the termination of this Agreement by either Pan-American or MTL as provided above, this Agreement shall thereafter become void and there shall be no Liability on the part of any Party hereto against any other Party hereto, or their respective directors, officers, Members, Policyholders or agents, except that (i) any such termination shall be without prejudice to the rights of any Party hereto arising out of the Willful and Material Breach by any other Party of this Agreement, (ii) Section 9.2 shall continue in full force and effect notwithstanding such termination, and (iii) each of the Parties hereto shall provide the other Party hereto with a copy of any proposed public announcement regarding the occurrence of such termination and an opportunity to comment thereon prior to its dissemination.

ARTICLE IX.
MISCELLANEOUS

Section 9.1. Survival of Representations, Warranties and Covenants. The representations, warranties and covenants made by the Parties to this Agreement shall not survive after the Effective Time, except for the Specified Provisions, which shall survive until the seventh anniversary of the Effective Time or such shorter time period specified therein, and except for Section 6.5 and Section 9.2(a), which shall survive in accordance with their terms.

Section 9.2. Fees and Expenses.

(a) Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs or expenses except that the expenses incurred jointly shall be borne fifty percent (50%) by Pan-American and fifty percent (50%) by MTL.

(b) In the event this Agreement is terminated pursuant to Section 8.2(d), the Party that has committed a Willful and Material Breach of Section 2.1(c), Section 2.1(d), Section 2.2, Section 2.3, Section 2.4(b) or Section 6.6, as applicable, shall pay promptly (and in no event later than two (2) Business Days after such termination) to the other Party by wire transfer of immediately available funds the amount of $12,000,000 (the "Termination Fee") as liquidated damages.

(c) In the event this Agreement is terminated pursuant to Section 8.3(a) or 8.4, MTL shall pay promptly (and in no event later than two (2) Business Days after such termination) to Pan-American by wire transfer of immediately available funds the Termination Fee as liquidated damages.

(d) In the event this Agreement is terminated pursuant to Section 8.3(b), Pan-American shall pay promptly (and in no event later than two (2) Business Days after such termination) to MTL by wire transfer of immediately available funds the Termination Fee as liquidated damages.

(e) In the event that (i) a Reorganization Proposal shall have been made or proposed to MTL or otherwise publicly announced, (ii) this Agreement is terminated by Pan-American pursuant to Section 8.2(b), (c) or (e) and (iii) within twelve (12) months following the date of such termination, MTL enters into a Contract for or relating to, or otherwise consummates, any Reorganization Proposal (whether or not such Reorganization Proposal is the same Reorganization Proposal referred to in clause (i)), MTL shall pay to Pan-American, within three (3) Business Days of the date on which the terminating party enters into such Contract, the Termination Fee by wire transfer of immediately available funds.

(f) The Parties agree that the directors of Pan-American and the directors of MTL shall not be personally liable for any liquidated or other damages under this Section 9.2 and hereby waive their right, if any, to seek damages individually or jointly against the directors of Pan-American or the directors of MTL, as the case may be.

(g) Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the other Party would not enter into this Agreement; accordingly, if the Termination Fee Party fails timely to pay any amount due under this Section 9.2, and in order to obtain the payment the other Party commences a Proceeding that results in a judgment against the Termination Fee Party for such payment, the Termination Fee Party shall pay the other Party for its reasonable and documented out-of-pocket costs and expenses (including reasonable attorneys' fees) in connection with such Proceeding, together with any interest on such amount at the prime rate as published in The Wall Street Journal in effect on the date such payment was initially required to be made. Any amounts required to be paid pursuant to this Section 9.2 shall be paid by wire transfer of immediately available funds to an account specified by the receiving Party.

Section 9.3. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given upon delivery to the address of such Party specified below if (i) hand delivered (including delivery by courier) or (ii) mailed by registered or certified mail, postage prepaid, return receipt requested, as follows:

(a) If to Pan-American, to:

Pan-American Life Mutual Holding Company
601 Poydras Street
New Orleans, LA 70130
Attention: Patrick Fraizer
Facsimile: (504) 566-3787
Email: pfraizer@palig.com

with a copy to (which shall not constitute notice):

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: John M. Schwolsky and Rajab S. Abbassi
Facsimile: (212) 728-8111
Email: jschwolsky@willkie.com and rabbassi@willkie.com

(b) If to MTL, to:

Mutual Trust Holding Company
1200 Jorie Boulevard
Oak Brook, Illinois 60523

Attention: General Counsel
Facsimile: (630) 684-5332
Email: GaughanG@mutualtrust.com

with a copy to (which shall not constitute notice):

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Brian J. Fahrney and Sean M. Carney
Facsimile: (312) 853-7036
Email: bfahrney@sidley.com and scarney@sidley.com

(c) If, following the Closing, to the Advisory Board, to:

Advisory Board
c/o MTL Insurance Company
1200 Jorie Boulevard
Oak Brook, Illinois 60523
Attention: General Counsel
Facsimile: (630) 684-5332
Email: GaughanG@mutualtrust.com

with a copy to (which shall not constitute notice):

Pan-American Life Mutual Holding Company
601 Poydras Street
New Orleans, LA 70130
Attention: Patrick Fraizer
Facsimile: (504) 566-3787
Email: pfraizer@palig.com

Section 9.4. Amendments. This Agreement may be amended by the parties to this Agreement at any time prior to the Effective Time, whether before or after obtaining the requisite Member approvals, so long as (a) no amendment that requires further Member approval under applicable Laws after the requisite Member vote shall be made without such required further Member approval and (b) such amendment has been duly approved by the Board of Directors of each of MTL and Pan-American. This Agreement may not be amended, modified or supplemented except by written instrument of the Parties. After the Effective Time and for a period of seven years, the Specified Provisions may not be amended, modified or waived without the approval of the Advisory Board.

Section 9.5. No Waiver. Nothing contained in this Agreement shall cause the failure of either Party to insist upon strict compliance with any covenant, obligation, condition or agreement contained herein to operate as a waiver of, or estoppel with respect to, any such covenant, obligation, condition or agreement by the Party entitled to the benefit thereto.

Section 9.6. Interpretation; Construction. The table of contents and headings in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement. Definitions shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. All references in this Agreement to Articles, Sections and Exhibits shall refer to Articles and Sections of, and Exhibits to, this Agreement unless the context requires otherwise. The words "herein", "hereof", "hereunder", "hereto", "hereby" and words of similar import shall be deemed to refer to this Agreement as a whole and not to any particular Section or other provision hereof, unless the context shall require. The words "include," "includes" and "including" shall not be limiting and shall be deemed to be followed by the phrase "without limitation." The word "or" shall be construed non-exclusively. All references in this Agreement to any particular Law shall be deemed to refer also to any rules and regulations promulgated under that Law. References to a Person also refer to its predecessors and permitted successors and assigns.

Section 9.7. Nonassignability. This Agreement shall not be assigned by either Party hereto by operation of Law or otherwise without the prior written consent of the other Party hereto and any purported assignment in violation hereof shall be null and void.

Section 9.8. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature under or by reason of this Agreement except, from and after the Effective Time, as expressly provided in (a) Section 1.8(b) and (b) Section 6.5(e).

Section 9.9. Duplicates; Counterparts. This Agreement shall be executed in duplicate and may be executed in counterparts each of which shall be deemed to constitute an original and constitute one and the same instrument. Each Party may deliver its signed counterpart of this Agreement to the other Party by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of any originally executed counterpart.

Section 9.10. Governing Law. This Agreement shall be governed and construed and enforced in accordance with the Laws of the State of New York, without giving effect to the principles of conflicts of Law thereof, except to the extent the Laws of Illinois, Louisiana or Delaware are mandatorily applicable to the Mergers; provided that any operative provisions regarding the Mergers shall be governed by Louisiana Law.

Section 9.11. Submission to Jurisdiction. The Parties irrevocably submit to the jurisdiction of the federal courts of the United States of America located in the State of New York and the Supreme Court of the State of New York (each, a "Chosen Court") solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated by this Agreement, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not (as a result of a lack of personal jurisdiction) be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding may be heard and determined in such a New York state or federal court. The parties to this Agreement agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.3 or in such other manner as may be permitted by applicable Laws, shall be valid and sufficient service thereof.

Section 9.12. Waiver of Jury Trial. Each Party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such Party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any Proceeding arising out of or relating to this Agreement or the transactions contemplated by this Agreement. Each Party certifies and acknowledges that (a) no representative of any other Party has represented, expressly or otherwise, that such other Party would not seek to enforce the foregoing waiver in the event of a Proceeding, (b) such Party has considered the implications of this waiver, (c) such Party makes this waiver voluntarily and (d) such Party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 9.12.

Section 9.13. Waiver of Objection. Each Party irrevocably and unconditionally waives any right it may have to assert any objection in any forum to the Advisory Board's right or ability to enforce the terms of the Specified Provisions from and after the Effective Time pursuant to Section 1.8(b) and until the expiration of the applicable survival period specified in this Agreement. Each Party certifies and acknowledges that (a) no representative of the other Party has represented, expressly or otherwise, that such other Party would not seek to enforce the foregoing waiver, (b) such Party has considered the implications of this waiver, (c) such Party makes this waiver voluntarily and (d) such Party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 9.13.

Section 9.14. Entire Agreement; Statements as Representations. This Agreement (including the Exhibits to this Agreement), the MTL Disclosure Schedule, the Pan-American Disclosure Schedule and the Confidentiality Agreement constitute the entire agreement and supersede all other prior agreements, understandings, representations and warranties, both written and oral, among the Parties with respect to the subject matter of this Agreement. No representation, warranty, inducement, promise, understanding or condition not set forth in this Agreement has been made or relied upon by any of the Parties to this Agreement. Each Party hereby disclaims any other representation, warranty or inducement, express or implied, as to the accuracy or completeness of any other information made by, or made available by, itself or any of its representatives, with respect to, or in connection with, the negotiation, execution or delivery of this Agreement or the Mergers.

Section 9.15. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions of this Agreement. If any provision of this Agreement, or the application of that provision to any Person or any circumstance, is determined by a court of competent jurisdiction to be invalid or unenforceable, (a) the Parties shall negotiate in good faith to substitute a suitable and equitable provision for that provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of the invalid or unenforceable provision in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible and to the fullest extent permitted by applicable Law and (b) the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of that provision, or the application of that provision, in any other jurisdiction.

Section 9.16. Specific Performance. Each of the Parties hereto acknowledges and agrees that the other Party hereto would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the Parties hereto agrees that they each shall be entitled, without any proof that monetary damages would be an inadequate remedy, to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which Pan-American or MTL may be entitled, at law or in equity. No Party shall require the other to post any bond or other security as a condition to institute any proceeding for specific performance under this Section 9.16.

Section 9.17. Preparations. This Agreement has been jointly prepared by the Parties hereto and the terms hereof will not be construed in favor of or against either Party by reason of its participation in such preparation.

Section 9.18. Definitions. Unless the context otherwise requires, when used in this Agreement, the following words or phrases have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Acceptable Confidentiality Agreement" means any confidentiality agreement entered into by a Party from and after the date of this Agreement that contains customary confidentiality and other terms that are not materially less favorable in the aggregate to the other Party hereto than those contained in the Confidentiality Agreement.

"Advisory Board" shall have the meaning set forth in Section 1.8(a) hereof.

"Affected Employee" shall have the meaning set forth in Section 1.10(a) hereof.

"Affiliate" shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

"Agreement" shall mean this Agreement and Plan of Merger, as it may be amended, supplemented or restated from time to time.

"Alternative Significant Transaction" shall mean any demutualization, conversion, acquisition, business combination, sale, affiliation or other transfer of all or substantially all of the assets of Pan-American (by reinsurance or otherwise) or other transaction that results in a change in control of Pan-American (including a material change in the composition of the Board of Directors of Pan-American in connection with or as a result of the consummation of such transaction).

"Applicable Party" shall mean each of MTL and Pan-American.

"Assets" shall mean all rights, titles, franchises and interests in and to every type of property, real, personal and mixed, and chooses in action thereunto belonging, including Investment Assets, Intellectual Property, Contracts, Licenses, IP Licenses, leaseholds, privileges and all other assets whatsoever, tangible or intangible.

"Books and Records" shall mean all accounting, financial reporting, tax, business, marketing, corporate, and other files, documents, instruments, papers, books, and records of a specified Person, including financial statements, budgets, projections, ledgers, journals, deeds, titles, policies, manuals, minute books, stock certificates and books, stock transfer ledgers, Contracts, franchises, permits, agency lists, policyholder lists, supplier lists, complaint lists, underwriting manuals, correspondence files, marketing and sales materials, reports, computer files, retrieval programs, operating data or plans, and environmental studies or plans.

"Burdensome Condition" shall mean any condition imposed in connection with a Required Regulatory Approval that (a) with respect to MTL, would result in a Surviving Mutual Holding Company Adverse Effect or (b) with respect to Pan-American, would (i) result in a Surviving Mutual Holding Company Adverse Effect or (ii) require (x) any Pan-American Insurer (excluding, for the avoidance of doubt, MTLIC), after the Effective Time, to maintain a capital or risk-based capital level that is in excess of its capital or risk-based capital level as of the date hereof or (y) MTLIC, after the Effective Time, to maintain a Risk-Based Capital level in excess of 400% of the company action level Risk-Based Capital.

"Business" shall mean, as to a Person, the business and operations of such Person.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which commercial banks in New Orleans, Louisiana or Chicago, Illinois are permitted or required to be closed for regular banking business.

"Certificates of Merger" shall have the meaning set forth in Section 1.4 hereof.

"Change in Recommendation" shall have the meaning set forth in Section 6.6(b)(iii) hereof.

"Chosen Court" shall have the meaning set forth in Section 9.11 hereof.

"Closing" shall have the meaning set forth in Section 1.3 hereof.

"Closing Agreement" shall mean a written and legally binding agreement with a taxing authority relating to Taxes.

"Closing Date" shall have the meaning set forth in Section 1.3 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Computer Software" shall mean any and all computer software or programs consisting of sets of statements or instructions to be used, directly or indirectly, in a computer, including the following: (a) all source code, object code and natural language code therefor and all component modules thereof, (b) all versions thereof, (c) all screen displays and designs thereof, (d) all databases and compilations, including any and all data and compilations of data, and (e) all user, technical, training, and other documentation relating to any of the foregoing.

"Computer Systems" shall mean any and all computer hardware, networks, and platforms.

"Confidentiality Agreement" shall mean that certain Confidentiality Agreement, dated May 27, 2014, by and between MTL and Pan-American.

"Consent or Filing" shall have the meaning set forth in Section 4.4(b) hereof.

"Contract" shall mean any legally-binding agreement, contract, indenture, bond, note, mortgage, deed of trust, lease (whether for real or personal property), power of attorney, loan, evidence of indebtedness, purchase order, letter of credit, settlement agreement, covenant not to compete, employment agreement, license, or other legal commitment to which a Person is a party or to which the parties or assets of such Person are subject, including an insurance contract.

"Cut-Off Date" shall have the meaning set forth in Section 8.2(b) hereof.

"Effective Time" shall have the meaning set forth in Section 1.4 hereof.

"Environmental Claim" shall mean any written notice by a Person alleging actual or potential Liability (including potential Liability for any investigatory cost, cleanup cost, governmental response cost, natural resources damage, property damage, personal injury, or penalty) arising out of, based on or resulting from (a) the presence, transport, disposal, discharge, exposure to or release, of any Hazardous Substance at any location, whether or not owned by MTL or Pan-American, as the case may be, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Laws" shall mean all federal, state, local and foreign Laws that (a) regulate or relate to pollution, protection of human health and safety or the protection or cleanup of the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including Laws that relate to emissions, discharges, releases or threatened releases, or the presence of Hazardous Substances, or otherwise relate to the manufacture, processing, distribution, use, existence, treatment, storage, disposal, transport, recycling, reporting, exposure to or handling of Hazardous Substances or (b) impose liability (including for enforcement, investigatory costs, clean up, removal, or response costs, natural resource damages, contribution, injunctive relief, personal injury or property damage) or standards of care with respect to any of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Existing MTL Members" shall mean the Members of MTL immediately prior to the Effective Time.

"Financial Statements" shall mean balance sheets, statements of income and changes in financial position, including all notes, schedules, exhibits and other attachments thereto, whether consolidated, combined or separate or audited or unaudited.

"Future Transactions Bringdown Certificate" shall have the meaning set forth in Section 6.10(a) hereof.

"Future Transactions Notice" shall have the meaning set forth in Section 6.10(a) hereof.

"GAAP" shall mean generally accepted accounting principles in the United States applied on a consistent basis.

"Governmental Approval" shall mean such applications, registrations, declarations, filings, authorizations, Orders, consents, approvals and non-disapprovals as may be required under the Laws of any jurisdiction or jurisdictions.

"Governmental Entity" shall mean any national, federal, state, county, municipal or local court, legislature, government, or other governmental agency, body or political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government or any quasi-governmental body, domestic or foreign.

"Hazardous Substance" shall mean chemicals, pollutants, contaminants, hazardous wastes, toxic, reactive, corrosive, ignitable, flammable chemical, chemical compound, or hazardous substance, material or waste, whether solid, liquid or gas, that is defined, subject to regulation, control or remediation or for which liability or standards of care are imposed under any Environmental Law, including petroleum (including crude oil or any fraction thereof), asbestos, mold, radioactive materials and polychlorinated biphenyls.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder.

"IHC Articles" shall have the meaning set forth in Section 1.5 hereof.

"IHC Board" shall have the meaning set forth in Section 1.7(b) hereof.

"IHC By-laws" shall have the meaning set forth in Section 1.5 hereof.

"IL Certificate of Merger" shall mean the Certificate of Merger filed with the Secretary of State of the State of Illinois in connection with the Merger.

"Illinois Insurance Law" shall mean the Illinois Insurance Code, 215 Illinois Compiled Statutes 5 and all regulations promulgated pursuant thereto.

"Indemnified Parties" shall have the meaning set forth in Section 6.5(a) hereof.

"Independent Director" shall mean a director of the Surviving Mutual Holding Company or the Intermediate Holding Company, who may also be a director of PALIC or any Subsidiary thereof or MTLIC or any Subsidiary thereof, but who is (a) not a full-time employee of any one or more of the foregoing and has not been such at any time during the five (5) years immediately prior to the Effective Time and (b) not being paid any remuneration by any of such entities, other than customary director's fees and expenses.

"Insurance Contract" shall mean any Contract of insurance or annuity.

"Insurance License" shall mean a License granted by a Governmental Entity to transact an insurance or reinsurance business.

"Intellectual Property" shall mean all intellectual property rights and related priority rights recognized by applicable Law, including all of the following, whether protected, created or arising under the Laws of the United States or any other jurisdiction or under any international convention: (i) all patents and patent applications, including all continuations, divisionals, continuations-in-part and provisionals and patents issuing thereon, and all reissues, reexaminations, substitutions and extensions thereof; (ii) all trademarks, service marks, trade names, trade dress, logos, corporate names and other source or business identifiers, together with the goodwill associated with any of the foregoing, and all applications, registrations, renewals and extensions; (iii) all Internet domain names; (iv) all copyrights and works of authorship, and all registrations, applications, renewals, extensions and reversions thereof; (v) computer software, computer code, data, databases, database rights and documentation thereof, and (vi) all trade secrets and other confidential and proprietary information (including proprietary know-how).

"Intermediate Certificates of Merger" shall mean, collectively, (a) the Certificate of Merger filed with the Secretary of State in the State of Delaware and (b) the Certificate of Merger filed with the Secretary of State in the State of Louisiana, in each case in connection with the Subsequent Merger.

"Intermediate Holding Company" shall have the meaning set forth in the Recitals hereof.

"Investment Advisers Act" means the Investment Advisers Act of 1940, as amended, or any successor Law, and the rules and regulations of the SEC promulgated thereunder or under any successor Law.

"Investment Assets" shall mean bonds, notes, debentures, mortgage loans, collateral loans and all other instruments of indebtedness, stocks, partnership interests and other equity interests (including equity interests in Subsidiaries), real estate and leasehold and other interests therein, certificates issued by or interests in trusts, cash on hand and on deposit, personal property and interests therein and all other Assets acquired for investment purposes.

"Investment Company Act" means the Investment Company Act of 1940, as amended, or any successor Law, and the rules and regulations of the SEC promulgated thereunder, or under any successor Law.

"IP Licenses" shall mean licenses, sublicenses, and other Contracts granting or receiving any rights that involve Intellectual Property.

"IRS" shall mean the Internal Revenue Service or any successor agency.

"Knowledge" shall mean, in the case of Pan-American or MTL, the actual knowledge after reasonable inquiry of direct reports, of the persons specified in Section 9.16 of the Pan-American Disclosure Schedule (in the case of Pan-American) or the persons specified in Section 9.16 of the MTL Disclosure Schedule (in the case of MTL).

"LA Certificate of Merger" shall mean the Certificate of Merger filed with the Secretary of State of the State of Louisiana in connection with the Merger.

"Law" shall mean any federal, state, local or foreign law, statute, code, directive, ordinance, rule, regulation, award, binding and enforceable guideline, binding and enforceable written policy, or rule of common law, enacted or promulgated, or an Order issued or rendered, in each case, by any Governmental Entity.

"Liability" shall mean a liability, obligation, claim or cause of action (of any kind or nature whatsoever, whether absolute, accrued, contingent or other and whether known or unknown), including any liability, obligation, claim or cause of action arising as a result of an Insurance Contract.

"License" shall mean a license, certificate of authority, permit or other authorization to undertake, perform or transact an activity or business issued or granted by a Governmental Entity.

"Lien" shall mean a lien, mortgage, deed to secure debt, pledge, conditional or installment sale agreement, covenant, restriction, option, right of first refusal, easement, security interest, right-of-way, encroachment, community property interest, lease, sublease, charge, claim, levy or other encumbrance of any kind, whether voluntarily incurred or arising by operation of Law.

"Life Insurance Subsidiaries" shall mean any of PALIC, MTLIC and any other Pan-American Insurer.

"Losses" shall mean losses, claims, damages, costs, expenses, Liabilities and judgments, including court costs and attorneys' fees.

"Louisiana Director" shall mean the Commissioner of the Department of Insurance of the State of Louisiana.

"Louisiana Insurance Law" shall mean Title 22 of the 2006 Louisiana Law (RS 22) and all regulations promulgated pursuant thereto.

"Member" shall mean, as to MTL, each Person who is a member of MTL and entitled to vote in accordance with MTL's articles of incorporation and by-laws, and, as to Pan-American, each Person who is a member of Pan-American and entitled to vote in accordance with Pan-American's articles of incorporation and by-laws.

"Merger" shall have the meaning set forth in the Recitals hereof.

"Mergers" shall have the meaning set forth in the Recitals hereof.

"MHC Articles" shall have the meaning set forth in Section 1.5 hereof.

"MHC Board" shall have the meaning set forth in Section 1.7(a) hereof.

"MHC By-laws" shall have the meaning set forth in Section 1.5 hereof.

"MTL" shall have the meaning set forth in the Preamble hereof.

"MTL Actuarial Analyses" shall have the meaning set forth in Section 5.7 hereof.

"MTL Benefit Plans" shall mean each "employee benefit plan" (within the meaning of Section 3(3) of ERISA) and all other material employee compensation and benefits plans, policies, programs, arrangements or payroll practices, including multiemployer plans (within the meaning of Section 3(37) of ERISA), and each other stock purchase, stock option, restricted stock, severance, retention, employment, consulting, change-of-control, collective bargaining, bonus, incentive, deferred compensation, employee loan, fringe benefit and other benefit plan, agreement, program, policy, commitment or other arrangement, whether or not subject to ERISA (including any related award agreements and any related funding mechanism now in effect or required in the future), in each case sponsored, maintained, contributed or required to be contributed to by MTL or any of the MTL Subsidiaries or under which MTL or any of its Subsidiaries has any current or potential liability.

"MTL Disclosure Schedule" shall mean the disclosure schedule delivered by MTL to Pan-American pursuant to this Agreement.

"MTL ERISA Affiliate" shall have the meaning set forth in Section 5.15(c) hereof.

"MTL GAAP Financial Statements" shall have the meaning set forth in Section 5.6(a) hereof.

"MTL Governmental Approvals" shall mean those Governmental Approvals required to be obtained by MTL as a condition of closing the transactions contemplated hereby as set forth in Section 5.4(b).

"MTL Group" shall mean MTL and the MTL Subsidiaries.

"MTL Holdings" shall have the meaning set forth in the Recitals hereof.

"MTL Material Adverse Effect" shall mean any material adverse effect on the business, financial condition or results of operations of MTL and the MTL Subsidiaries, taken as a whole, other than (a) any effects resulting from any of the following (i) general political, legislative, economic or financial market conditions or securities, credit, financial or other capital markets conditions or changes (including interest rate changes), (ii) the commencement, continuation or escalation of actions or war, armed hostilities, sabotage, acts of terrorism, or other man-made disaster; (iii) changes, circumstances or events generally affecting the life insurance and annuities industries in the geographic areas and product markets in which MTL or its Subsidiaries conduct business; (iv) the result of any earthquake, hurricane, tsunami, tornado, windstorm, epidemic or other natural disaster; (v) any change in any applicable Laws; or (vi) any change in GAAP or SAP; except in the case of the foregoing clauses (i) through (vi) to the extent those events, circumstances, changes or effects have a disproportionate effect on the MTL and its Subsidiaries compared to other companies of similar size operating in the life insurance and annuities industries and geographic regions in which MTL and its Subsidiaries operate, and (b) any effects resulting from the announcement or existence of terms of this Agreement or the consummation of the transactions contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, cedents, reinsureds, retrocessionaires, reinsurance brokers or intermediaries, suppliers, vendors, lenders, venture partners or employees.

"MTL MHC Designees" shall have the meaning set forth in Section 1.7(a) hereof.

"MTL Operating Facility" shall mean any operating facility which is owned by MTL or any MTL Subsidiary or in the management of which MTL or any MTL Subsidiary actively participates.

"MTL Post-Conversion Dividend Principles and Policy" shall have the meaning set forth in Section 5.29 hereof.

"MTL Related Party Transaction" shall have the meaning set forth in Section 5.19 hereof.

"MTL SAP Statements" shall have the meaning set forth in Section 5.5 hereof.

"MTL U.S. Insurance Contract" shall mean any insurance or annuity Contract written by MTL or any of its Subsidiaries the terms and Tax treatment of which are governed by the laws of the United States of America.

"MTLIC" shall have the meaning set forth in the Recitals hereof.

"Non-U.S. MTL Benefit Plans" shall have the meaning set forth in Section 5.15(l) hereof.

"Non-U.S. Pan-American Benefit Plans" shall have the meaning set forth in Section 4.15(l) hereof.

"Operating Plan" shall have the meaning set forth in Section 1.14 hereof.

"Order" shall mean an order, writ, verdict, rule, ruling, judgment, injunction, directive or decree of or any stipulation to or agreement with, determination, suit, action, proceeding or investigation of any arbitrator, mediator or Governmental Entity, whether preliminary, interlocutory or final.

"Ordinary Course of Business" of any Person shall mean the ordinary and usual course of business of such Person consistent with past practice.

"Organizational Documents" shall mean the articles of incorporation and by-laws/code of regulations of a Person.

"PALIC" shall have the meaning set forth in the Recitals hereof.

"PALIG" shall have the meaning set forth in the Recitals hereof.

"Pan-American" shall have the meaning set forth in the Preamble hereof.

"Pan-American Actuarial Analyses" shall have the meaning set forth in Section 4.7 hereof.

"Pan-American Benefit Plans" shall mean each "employee benefit plan" (within the meaning of Section 3(3) of ERISA) and all other material employee compensation and benefits plans, policies, programs, arrangements or payroll practices, including multiemployer plans (within the meaning of Section 3(37) of ERISA), and each other stock purchase, stock option, restricted stock, severance, retention, employment, consulting, change-of-control, collective bargaining, bonus, incentive, deferred compensation, employee loan, fringe benefit and other benefit plan, agreement, program, policy, commitment or other arrangement, whether or not subject to ERISA (including any related award agreements and any related funding mechanism now in effect or required in the future), in each case sponsored, maintained, contributed or required to be contributed to by Pan-American or its Significant Subsidiaries or under which Pan-American or any of its Significant Subsidiaries has any current or potential liability.

"Pan-American Disclosure Schedule" shall mean the disclosure schedule delivered by Pan-American to MTL, pursuant to this Agreement.

"Pan-American ERISA Affiliate" shall have the meaning set forth in Section 4.15(c) hereof.

"Pan-American GAAP Financial Statements" shall have the meaning set forth in Section 4.6(a) hereof.

"Pan-American Governmental Approvals" shall mean those Governmental Approvals required to be obtained by Pan-American as a condition of closing the transactions contemplated hereby as set forth in Section 4.4(b) hereof.

"Pan-American Group" shall mean Pan-American and the Pan-American Subsidiaries.

"Pan-American Insurer" shall mean each Pan-American Subsidiary that is authorized under applicable Law to transact insurance or reinsurance business.

"Pan-American Material Adverse Effect" shall mean any material adverse effect on the business, financial condition or results of operations of Pan-American and the Pan-American Subsidiaries, taken as a whole, other than any effects resulting from any of the following: (a)(i) general political, legislative, economic or financial market conditions or securities, credit, financial or other capital markets conditions or changes (including interest rate changes), (ii) the commencement, continuation or escalation of actions or war, armed hostilities, sabotage, acts of terrorism, or other man-made disaster; (iii) changes, circumstances or events generally affecting the life insurance and annuities industries in the geographic areas and product markets in which Pan-American or its Subsidiaries conduct business; (iv) the result of any earthquake, hurricane, tsunami, tornado, windstorm, epidemic or other natural disaster; (v) any change in any applicable Laws; or (vi) any change in GAAP or SAP; except in the case of the foregoing clauses (i) through (vi) to the extent those events, circumstances, changes or effects have a disproportionate effect on Pan-American and its Subsidiaries compared to other companies of similar size operating in the life insurance and annuities industries and geographic regions in which Pan-American and its Subsidiaries operate and (b) the announcement or existence of terms of this Agreement or the consummation of the transactions contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, cedents, reinsureds, retrocessionaires, reinsurance brokers or intermediaries, suppliers, vendors, lenders, venture partners or employees.

"Pan-American MHC Designees" shall have the meaning set forth in Section 1.7(a) hereof.

"Pan-American Operating Facility" shall mean any operating facility which is owned by Pan-American or any Pan-American Subsidiary or in the management of which Pan-American or any Pan-American Subsidiary actively participates.

"Pan-American Related Party Transaction" shall have the meaning set forth in Section 4.19 hereof.

"Pan-American SAP Statements" shall have the meaning set forth in Section 4.5 hereof.

"Pan-American U.S. Insurance Contract" shall mean any insurance or annuity Contract written by Pan-American or any of its Subsidiaries the terms and Tax treatment of which are governed by the laws of the United States of America.

"Parties" shall have the meaning set forth in the Preamble hereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"Permitted Liens" shall mean, as to a Party hereto, (a) all Liens approved in writing by the other Party hereto, (b) statutory Liens arising out of operation of Law with respect to a Liability which are incurred in the Ordinary Course of Business of such Party or any of its Subsidiaries and are not delinquent and can be paid without interest or penalty or the amount or validity of which is being contested in good faith or for which appropriate reserves have been established in accordance with GAAP, or (c) such Liens and other imperfections of title as do not materially detract from the value or impair the use of the property subject thereto.

"Person" shall mean an individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, association, joint stock company, Governmental Entity, business trust, unincorporated organization or other entity.

"Policyholder" shall mean the owner of a policy or other contract of insurance or annuity issued by PALIG or its Subsidiaries, or by MTL or its Subsidiaries.

"Present Participating Policy" shall mean an individual participating life insurance policy or annuity contract of MTLIC that (a) gives rise to membership interests in

MTL and (b) is in force as of the Effective Time or, if not in force, could be reinstated on that date.

"Present Participating Policyholder" shall mean the owner of a Present Participating Policy.

"Proceedings" shall mean actions, suits, hearings, claims and other similar proceedings before any Governmental Entity, arbitrator, mediator or any alternative dispute resolution forum.

"RBC Instructions" shall mean the instructions published by the National Association of Insurance Commissioners or any successor thereof for the calculation of Risk-Based Capital of life insurers as in effect on the date hereof (titled "RBC Forecasting and Instructions – Life").

"RBC Ratio" shall mean, as of any date of determination, the ratio (expressed as a percentage) that MTLIC's total adjusted capital (as defined in the RBC Instructions) as of such date bears to MTLIC's company action level Risk-Based Capital (as defined in the RBC Instructions) as of such date, calculated in accordance with the life insurer Risk-Based Capital formula contained in the RBC Instructions.

"Registered Intellectual Property" shall mean all issued patents, patent applications, registered trademarks, trademark applications, registered copyrights and Internet domain name registrations.

"Reinsurance Treaty" shall mean a material reinsurance, retrocession, coinsurance or other similar Contract.

"Reorganization Proposal" shall mean, other than the transactions contemplated by this Agreement, (a) any offer, proposal or inquiry relating to, or any Third Party indication of interest in, (i) any acquisition or purchase, direct or indirect, of all or a significant amount of the consolidated assets of the Applicable Party and its Subsidiaries (other than Investment Assets), (ii) a merger, consolidation, business combination, reorganization, recapitalization, demutualization, bulk or assumption reinsurance arrangement involving all or a significant portion of insurance Liabilities, liquidation, dissolution or other similar transaction involving the Applicable Party or any of its Subsidiaries whose assets, individually or in the aggregate, constitute more than 15% of the consolidated assets of the Applicable Party or (iii) any other transaction having a similar effect to those described in clauses (i) and (ii) and (b) any intervention, appeal, participation or other similar action of any Third Party in any regulatory process related to the transactions contemplated by this Agreement, including any hearing, argument, presentation to a regulator or administrative or governmental body or other proceeding in connection with obtaining regulatory or governmental approval of the Mergers.

"Required Regulatory Approvals" shall have the meaning set forth in Section 7.1(b) hereof.

"Risk-Based Capital" shall mean the minimum amount of capital required to support insurance business operations and to underwrite coverage.

"Risk-Based Capital Reports" shall mean written results submitted by MTL or Pan-American, as applicable, or any of such entity's Subsidiaries to any insurance Governmental Entities since January 1, 2009 relating to Risk-Based Capital calculations.

"SAP" shall mean accounting practices prescribed or permitted by applicable insurance Governmental Entities applied on a consistent basis.

"SAP Statements" shall mean Financial Statements filed with or submitted to the insurance regulatory authority in the state or jurisdiction in which a Pan-American Insurer or MTLIC, as the case may be, is domiciled on forms prescribed or permitted by such authority.

"SEC" shall mean the United States Securities and Exchange Commission or any successor agency.

"Secretaries of State" shall have the meaning set forth in Section 1.4 hereof.

"Securities Act" shall mean the Securities and Exchange Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Significant Subsidiary" shall mean (i) with respect to Pan-American, each Subsidiary of Pan-American that represents more than ten percent (10%) of Pan-American's total assets, total liabilities, net income or gross written premiums, as reflected in the Pan-American GAAP Financial Statements; and (ii) with respect to MTL, any Subsidiary of MTL.

"Specified Provisions" shall have the meaning set forth in Section 1.8(b) hereof.

"Statement of Dividend Principles" shall have the meaning set forth in the Recitals hereof.

"Subsequent Merger" shall have the meaning set forth in the Recitals hereof.

"Subsequent Merger Effective Time" shall have the meaning set forth in Section 1.4 hereof.

"Subsidiary" of a Person means any Person with respect to whom such specified Person, directly or indirectly, beneficially owns more than fifty percent (50%) of the equity interests in, or holds the voting control of more than fifty percent (50%) of the equity interests in, such Person.

"Superior Proposal" means a bona fide written Reorganization Proposal defined under clause (a) of the definition of Reorganization Proposal, that MTL's Board of

Directors has determined in its good faith judgment, after consultation with its financial adviser and outside legal counsel, and after taking into account all relevant legal, regulatory, financial (including ratings and capital position), economic and other aspects of such proposal (including the conditionality of such proposal, the ability of the Person(s) making such proposal to obtain all relevant approvals and otherwise to satisfy all relevant conditions to the consummation of the transaction contemplated by such proposal and any financing arrangements required to facilitate the consummation of such transaction), is more favorable, to the Members of MTL than the Mergers and the transactions contemplated hereby; provided that, for the purpose of this definition, the reference to 15% in the definition of Reorganization Proposal shall be deemed to be references to 50%.

"Surviving Mutual Holding Company" shall have the meaning set forth in the Recitals hereof.

"Surviving Mutual Holding Company Adverse Effect" shall mean a material adverse effect on the business, financial condition or results of operations of the Surviving Mutual Holding Company and its Subsidiaries, taken as a whole (and assuming for the purpose of this definition that the Merger has been consummated), after the Effective Time, other than any such effect resulting from (a) general economic conditions or general financial market conditions or changes (including interest rate changes) or (b) any occurrence or condition arising out of or related to the announcement or existence of terms of this Agreement or the consummation of the transactions contemplated by this Agreement.

"Tax Returns" or "Returns" shall mean all tax returns, declarations, reports, estimates, information returns and statements required to be filed under federal, state, local or foreign tax laws.

"Tax Ruling" shall mean a written ruling of a taxing authority relating to Taxes.

"Taxes" shall mean all income, gross income, gross receipts, premium, sales, use, transfer, franchise, profits, withholding, payroll, employment, excise, severance, property and windfall profits taxes, and all other taxes, assessments or similar charges of any kind whatsoever thereon or applicable thereto, together with any interest and any penalties, additions to tax or additional amounts, in each case imposed by any taxing authority (domestic or foreign) upon any Person in the Pan-American Group or the MTL Group, as the case may be, including all amounts imposed as a result of being a member of an affiliated or combined group.

"Termination Fee" shall have the meaning set forth in Section 9.2(b) hereof.

"Termination Fee Party" means the Party that is obligated to pay the Termination Fee pursuant to Section 9.2(b), (c), (d) or (e), as applicable.

"Third Party" shall mean any Person other than Pan-American or any Affiliate of Pan-American or MTL or any Affiliate of MTL.

"Treasury Regulations" shall have the meaning set forth in the Recitals hereof.

"WARN" shall have the meaning set forth in Section 4.18(d) hereof.

"Willful and Material Breach" means a material breach that is a consequence of any action undertaken by the breaching party with the actual knowledge at the time it took such action that the taking of such action would, or would reasonably be expected to, cause a breach of this Agreement.

[*Remainder of this Page Intentionally Left Blank.*]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties on the date first above written.

PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

By: ______________________________
Name: José S. Suquet
Title: Chairman of the Board, President and Chief Executive Officer

MUTUAL TRUST HOLDING COMPANY

By: ______________________________
Name:
Title:

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties on the date first above written.

PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

By:______________________________
Name:
Title:

MUTUAL TRUST HOLDING COMPANY

By: Stephen M. Batza
Name: STEPHEN M. BATZA
Title: CHAIRMAN, PRESIDENT + CEO

EXHIBIT 1.5(A)

PROPOSED AMENDED AND RESTATED MHC ARTICLES

EXHIBIT 1.5(a)

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

ARTICLE I

The name of this Company is Pan-American Life Mutual Holding Company (the "Company").

ARTICLE II

The Company is a mutual insurance holding company that holds a majority of the voting shares of the capital stock (within the meaning of Section 22:232.4 of the Louisiana Revised Statutes) of each of Pan-American Life Insurance Company ("Pan-American Life") and MTL Insurance Company ("MTL"), either directly or indirectly through one or more intermediate holding companies as permitted by the laws of the State of Louisiana. The Company was formed for the purpose of doing any and all other acts either permitted or not prohibited under the laws of the State of Louisiana for a mutual insurance holding company. The Company was the surviving company resulting from the merger of Mutual Trust Holding Company, an Illinois mutual insurance holding company, with and into the Company (the "Merger"). The Company shall at all times hold, either directly or indirectly through one or more intermediate holding companies, at least a majority of the voting shares of the capital stock (within the meaning of Section 22:232.4 of the Louisiana Revised Statutes) of each of Pan-American Life and MTL.

ARTICLE III

The duration of the Company shall be in perpetuity, or such maximum period as may be authorized by the laws of the State of Louisiana, unless the Company shall be liquidated, dissolved or merged as permitted by law.

ARTICLE IV

The location and post office address of the Company's registered office is:

Pan-American Life Mutual Holding Company
601 Poydras St.
New Orleans, LA 70130

ARTICLE V

The full name and post office address of the Company's registered agent for service of process is:

Patrick Fraizer
Pan-American Life Mutual Holding Company
Legal Department
601 Poydras St.
New Orleans, LA 70130

ARTICLE VI

The initial working capital with which the Company began business was $250,000, which was received in the form of a distribution from Pan-American Life Insurance Group, Inc.

ARTICLE VII

The Company shall have no capital stock but shall conduct its business as a mutual insurance holding company.

ARTICLE VIII

Section 8.1 Each policyholder of Pan-American Life or MTL shall be a member ("Member") of the Company. The term "policyholder" as used herein means any person insured under an individual policy of life insurance issued by either Pan-American Life or MTL and any person to whom any annuity or pure endowment is presently or prospectively payable by the terms of an individual annuity or pure endowment contract issued by either Pan-American Life or MTL, except where the policy or contract declares some other person to be the owner or holder thereof, in which case such owner or holder shall be deemed the policyholder, and except in the cases of assignment or transfer as hereinafter provided. In the case of any individual policy or contract insuring two or more persons jointly or in the case the policy or contract declares two or more persons to be the owner, the persons insured or declared to be the owner are considered as one policyholder. In case any such policy or contract has been assigned or transferred by an assignment or transfer absolute on its face to an assignee or transferee other than Pan-American Life or MTL, and such assignment or transfer is filed at the principal office of Pan-American Life or MTL, as applicable, then such assignee or transferee shall be deemed the policyholder, but for the purpose of determining voting rights such assignment or transfer shall not be effective until thirty days after it has been filed with Pan-American Life or MTL, as applicable. Except as provided herein, an assignee or transferee of a policy or contract shall not be deemed a policyholder. In the case of group policies, the employer, trustee, creditor or other holder of the group master contract issued by Pan-American Life or MTL shall be the policyholder for the purpose of this Article VIII and the one qualified to vote. The holders of certificates issued under such group master contracts shall not be qualified to vote. Notwithstanding anything to the contrary herein, each member of Mutual Trust Holding Company immediately prior to the effective time of the Merger (each, a "Legacy Member") (i) shall be a Member of the Company and shall remain a Member of the Company so long as at least one policy or contract which gave rise to such Legacy Member's status as a member of Mutual Trust Holding Company remains in-force; and (ii) shall have all rights conferred on Members of the Company hereunder, under the Company's By-laws and under applicable law.

Section 8.2 At meetings of the Members, each policyholder (including each Legacy Member) holding a policy providing for an insurance benefit or holding an annuity contract, and whose insurance policy or contract of annuity shall then be in force who is present at such meeting in person or by written proxy duly authorized in writing, signed by such policyholder and filed with the Secretary of the Company at or prior to the meeting, shall be entitled to vote. For the avoidance of doubt, voting and proxy submission may take place electronically or telephonically consistent with the requirements of the Louisiana Uniform Electronic Transactions Act, Sections 9:2601 through 9:2621 of the Louisiana Revised Statutes. Each such Member shall be entitled to only one vote irrespective of the number of policies or contracts held by the Member or the amount thereof, but said voting qualifications shall be subject to any change or amendment as may be prescribed by the laws of the State of Louisiana, which may be adopted by the Company.

Section 8.3 Membership shall automatically follow, and shall not be severable from, the policy or contract issued by Pan-American Life or MTL pursuant to which Membership is conferred (the "Related Policy"). Membership shall automatically terminate when a member no longer owns a Related Policy, whether by reason of the absolute assignment or transfer of ownership of the Related Policy, termination of the Related Policy or otherwise. Membership, or any rights appertaining thereto or derived therefrom, shall not be transferable in any manner whatsoever, including transfer by operation of law, except as the ownership of the Related Policy is recorded as transferred on the books and records of Pan-American Life or MTL, as applicable. Membership, or any rights appertaining thereto or derived therefrom, shall not be separate from the Related Policy, nor subject to attachment, execution or levy, nor subject to a lien, mortgage, security interest or in any manner used as collateral or otherwise hypothecated. The Company may not assess Members for any of the costs, expenses or liabilities of the Company whenever and however incurred or for any other reason whatsoever. A Member shall not be personally liable for the acts, debts, liabilities or obligations of the Company.

Section 8.4 Whenever the affirmative vote of Members is required to authorize or constitute corporate action, the consent in writing to such action signed only by Members holding that proportion of the total voting power of the Company on the question which is required by law or these Articles of Incorporation, whichever is higher, shall be sufficient for that purpose, without necessity for a meeting of Members.

Section 8.5 The Members shall have the rights specified under the Louisiana Revised Statutes, these Articles of Incorporation and the Company's By-laws.

ARTICLE IX

Section 9.1 The Company shall not pay member dividends or make distributions or payments of income or profits to Members, except as provided herein and except as otherwise approved by the Commissioner of Insurance of the State of Louisiana. Nothing herein shall be deemed to limit the payment of policyholder dividends by Pan-American Life pursuant to any insurance policy issued by Pan-American Life or by MTL pursuant to any insurance policy issued by MTL.

Section 9.2 In the event of the dissolution or liquidation of the Company, the surplus of cash or property of the Company remaining after payment of all liabilities of the Company shall be distributed to the Members at the time of such dissolution or liquidation in the same manner and in the same proportions as may be approved by the Louisiana Insurance Commissioner or by a court of competent jurisdiction.

ARTICLE X

Section 10.1 All powers that are vested in the Company, and are not expressly vested in the Members, shall be possessed and exercised by a classified Board of Directors consisting of not less than seven nor more than 14 members, the precise number to be determined solely by the Board of Directors. The number of directors constituting the initial Board of Directors will be 12. The Board of Directors shall be divided into five classes, initially as set forth below and whose initial terms shall expire at the annual meetings in 2016, 2017, 2018, 2019 and 2020. At each succeeding annual meeting following such initial classification and election, the respective successors will be elected for five-year terms. At each annual meeting of Members, the successors to the class of directors whose term shall then expire shall be elected to hold office for five years or until their successors (if any) are elected and qualified or until his or her earlier death, resignation or removal. In the event of any increase or decrease in the number of directors, adjustments in classes of directors may be made, in such manner that all classes are as nearly equal in number as possible.

Section 10.2 The names, addresses, classifications and terms of office for the initial Board of Directors of the Company are as follows:[1]

Name	**Address**	**Classification**	**Term Expires**
Stephen Batza		V	2020
Jerry Carlisle		III	2018
Carlos F. Mickan		II	2017
Kenneth Mlekush		III	2018
Wendell Mottley		III	2018
Carlos Palomares		V	2020
Dr. Patrick J. Quinlan		I	2016
Coleman Ross		I	2016
Jose S. Suquet		IV	2019
J. Antonio Villamil		I	2016
[*Windy Designee*]		V	2020
[*Windy Designee*]		V	2020

Section 10.3 Any one or more directors may be removed only with cause and only (i) at any time by the affirmative vote of at least a majority of all directors then constituting the Board of Directors, or (ii) by the affirmative vote of the holders of at least a majority of the voting power of all persons present or represented by proxy at a special meeting of Members, convened for that specific purpose.

[1] Note to Draft: List of directors is subject to finalization prior to the Effective Time in accordance with the terms of the Merger Agreement.

Section 10.4 Except as required by applicable law or the By-laws of the Company, any vacancy on the Board of Directors (including any vacancy resulting from an increase in the authorized number of directors, from the removal of a director or from a failure of the Members to elect the full number of authorized directors) shall, notwithstanding any resulting absence of a quorum of directors, be filled only by vote of a majority of the remaining directors.

Section 10.5 Any director absent from a meeting of the Board of Directors or any committee thereof, may be represented by any other director or Member of the Company, who may cast the vote of the absent director according to the written instructions, general or special, of the absent director.

Section 10.6 The Board of Directors shall annually elect the officers of the Company, which shall include a Chairman of the Board of Directors, a President, who shall be a member of the board, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the By-laws of the Company may provide. The Board of Directors may, in its discretion, combine any two or more of the above officers in one person; provided that no person holding more than one office may sign, in more than one capacity, any certificate or other instrument required by law to be signed by two officers.

ARTICLE XI

The Board of Directors shall have the power, without the assent or vote of the Members, to adopt, amend or repeal the By-laws of the Company; provided that (i) any such adoption, amendment or repeal is done in accordance with and does not conflict with these Articles of Incorporation and (ii) notwithstanding the foregoing, until [*insert five year anniversary of the Effective Time*] but not thereafter, the terms of paragraph 1, 2 or 3 of Article 2 of the By-laws of the Company may not be superseded, amended or repealed in a manner that is adverse to the MTL Directors (as defined in the By-laws of the Company) without the affirmative vote of at least a majority of the members of MTL's Advisory Board (as such term is defined in that certain Agreement and Plan of Merger, dated April [●], 2015, by and between the Company and Mutual Trust Holding Company. For the avoidance of doubt, clause (ii) of the previous sentence shall not be effective from and after [*insert five year anniversary of the Effective Time*].

ARTICLE XII

Section 12.1 The liability of directors and officers of the Company for monetary damages for breach of fiduciary duty as a director or officer shall be eliminated to the fullest extent permitted under the laws of the State of Louisiana.

Section 12.2 The Company is authorized to provide indemnification of its officers, directors, employees and agents to the fullest extent permitted under the laws of the State of Louisiana, subject to such limitations as may be established by the Board of Directors.

Section 12.3 The Company expressly reserves the right to amend, alter, change or repeal these Articles of Incorporation or any provision herein, from time to time in such manner and for such purposes as may at the time be permitted by law; provided, that the Company may not, at any time, amend, alter, change or repeal the last sentence of Section 8.1 of these Articles of Incorporation, other than in connection with a demutualization or other transaction pursuant to which the Company will not survive or will not survive as a mutual holding company.

ARTICLE XIII

The names, titles and addresses of the incorporators signing these Articles of Incorporation are:

Name	Title	Address

EXHIBIT 1.5(B)

PROPOSED AMENDED AND RESTATED MHC BY-LAWS

EXHIBIT 1.5(b)

AMENDED & RESTATED

BY-LAWS OF

PAN-AMERICAN LIFE MUTUAL HOLDING COMPANY

EFFECTIVE [_____]

ARTICLE 1.

Meetings

1. The Annual Meeting (the "Annual Meeting") of Pan-American Life Mutual Holding Company (the "Company") shall be held in the principal office of the Company in the City of New Orleans or such other place at such time and date as the Board of Directors (the "Board of Directors" or the "Board") shall specify in the notice of such Annual Meeting to be provided, pursuant to the immediately following paragraph, for the purpose of receiving the report of the officers, acting on all matters stated in the call for the meeting, and the transaction of such other business as may properly be brought before the meeting.

Written notice or the electronic transmission of notice of every Annual Meeting shall be provided to each Member entitled to vote at such Annual Meeting at least ten (10) days and not more than ninety (90) days prior to the day fixed for such Annual Meeting. Members and those Members entitled to vote are as defined in the Company's Amended and Restated Articles of Incorporation (the "Articles").

Any Member proposing to bring any business before any Annual Meeting shall deliver written notice of such proposal to the Board of Directors not earlier than January 1 and not later than January 28 immediately preceding such Annual Meeting. Such notice shall set forth (i) a brief description of the business desired to be brought before such meeting and the reasons for conducting such business at such meeting, and in the event that such business includes a proposal to amend either the Articles or these By-laws (the "By-laws"), the text of the proposed amendment; (ii) the name and address as they appear on the Company's books of any Member proposing such business; (iii) any material interest of any such Member in such business; and (iv) if such Member intends to solicit proxies in support of such Member's proposal, a representation to that effect. No business shall be conducted at an Annual Meeting except in accordance with this paragraph, and the presiding officer of any such Annual Meeting may refuse to permit any business to be brought before such Annual Meeting without compliance with the foregoing procedures or if any Member solicits proxies in support of such Member's proposal without such Member having made the representation required by clause (iv) of the immediately preceding sentence or if the matter is otherwise inappropriate for discussion at the Annual Meeting in the presiding officer's discretion.

2. Special meetings of the Members shall be held at the principal office of the Company or at such other location as the Board of Directors shall specify, and may be called by the Chairman of the Board at his discretion, and, except as otherwise required by applicable law,

(a) must be called by him when so directed by resolution of the Board of Directors, and (b) must be called by the Secretary upon the written request of Members holding in the aggregate one-fifth of the total voting power of the Company. The application referred to in clause (b) of the immediately preceding sentence shall set forth (i) a brief description of the business desired to be brought before such meeting and the reasons for conducting such business at such meeting, and in the event that such business includes a proposal to amend either the Articles or these By-laws, the text of the proposed amendment; (ii) the name and address as they appear on the Company's books of any Member proposing such business; (iii) any material interest of any such Member in such business; and (iv) if such Member intends to solicit proxies in support of such Member's proposal, a representation to that effect. No business shall be conducted at a special meeting of Members called upon the written application of Members except in accordance with this paragraph, and the presiding officer of any such special meeting may refuse to permit any business to be brought before such meeting without compliance with the foregoing procedures or if any such Member solicits proxies in support of such Member's proposal without such Member having made the representation required by clause (iv) of the immediately preceding sentence or if the matter is otherwise inappropriate for discussion at the Annual Meeting in the presiding officer's discretion.

Written notice or the electronic transmission of notice of every special meeting of the Members shall be provided to each Member entitled to vote at such meeting at least ten (10) days and not more than ninety (90) days prior to the day fixed for such meeting, and such notice shall state the object or objects thereof, and no other business shall be transacted at any special meeting save that notified.

3. Except as otherwise required by applicable law, those members entitled to vote who are present in person or by proxy at a meeting of the Members shall constitute a quorum for the transaction of business. Each Member qualified in accordance with Article VIII of the Articles shall be entitled to one vote on matters coming before meetings of the Members, and such vote may be cast in person or by duly authorized written proxy, which may be cast electronically. Except as otherwise required by applicable law or provided in the Articles, the vote of the holders of a majority of the voting power of all persons constituting such quorum shall be necessary to decide any question coming before the meeting.

4. The voting at the election of directors shall be by ballot, and each Member qualified in accordance with Article VIII of the Articles shall be entitled to one vote, and such vote may be cast in person or by duly authorized written proxy, which may be cast electronically.

5. Directors shall be elected by the vote of the holders of a majority of the voting power of all persons present or represented by proxy at the meeting of Members at which the election of directors is to be held.

6. At all meetings of the Members, the Chairman of the Board, or, in his absence, the President, or, in his absence, another Member of the Board of Directors selected by the Board, shall call the meeting together and preside over the meeting. A secretary for the meeting shall be selected by a vote of the holders of a majority of the voting power of all persons present or represented by proxy at such meeting.

7. The order of business at the Annual Meeting shall be determined by the presiding officer.

ARTICLE 2.

Directors

1. The business and property of the Company shall be managed by a board consisting of not less than seven (7) nor more than fourteen (14) directors, and who shall be elected in accordance with Article X of the Articles, by ballot, by the Members, for the terms specified in Article X of the Articles, and shall serve until the election, or, if applicable, the appointment by the Board of Directors pursuant to Article X of the Articles, of their successors. Any vacancies on the Board shall be filled in the manner specified herein and in the Articles.

2. Upon the expiration of the initial term of the Directors nominated by Mutual Trust Holding Company (the "MTL Directors"), the Board of Directors or any committee thereof shall give due consideration to the MTL Directors in connection with the potential re-nomination of such MTL Director.

3. If, prior to the fifth anniversary of the date hereof but not thereafter, (i) any MTL Director ceases to serve as a member of the Board of Directors, MTL Insurance Company's Advisory Board (as such term is defined in that certain Agreement and Plan of Merger, dated April [●], 2015, by and between the Company and Mutual Trust Holding Company) shall nominate a Director to fill such vacancy and (ii) any director that is not an MTL Director ceases to serve as a member of the Board of Directors, a majority of the remaining members of the Board of Directors who are not MTL Directors shall nominate a Director to fill such vacancy; provided that, in each case, if the Director who ceases to serve on the Board of Directors was an Independent Director, such designee shall also be an Independent Director; provided, further that any person properly nominated pursuant to clause (i) or (ii) of this Section 3 to fill such vacancy on the Board of Directors shall be appointed in accordance with Section 10.4 of the Articles. For purposes hereof, "Independent Director" shall mean a director who is, in the business judgment of the Board of Directors, "independent" under the rules of the New York Stock Exchange.

4. The regular meetings of the Board of Directors shall be held no less frequently than quarterly at such time and place fixed by the Board of Directors.

5. The special meetings of the Board of Directors shall be held at such time and place specified in the notice of such meeting, and may be called at any time by the Chairman of the Board or by any four members of the Board, and may be held at any time, without notice, and for the transaction of any business, provided there is no protest on the part of any member of the Board against such meeting.

6. Any one or more members of the Board of Directors or members of any committee thereof may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

7. Notices of both regular and special meetings shall be mailed, delivered personally, given by telephone, including a voice messaging system, given by facsimile or electronic transmission by the Secretary to each member of the Board not less than two days before such meeting. Notices of special meetings shall state the purpose thereof, and no other business shall be transacted at any special meeting save as so notified, unless with the unanimous consent of all directors. No notice need be given for adjourned meetings.

8. A quorum at any meeting shall consist of a majority of the entire membership of the Board. Except as may otherwise be provided in the Articles with respect to the filling of vacancies on the Board, a majority of such quorum shall be necessary to decide any question that may come up before the meeting. If a quorum is not present at any duly assembled meeting, a majority of those present may adjourn the meeting from day to day, or may transact any other business, until a quorum is secured. At all meetings where a quorum is present, the act of the majority of the directors present at the meeting shall be the act of the Board of Directors.

9. Each member of the Board present in person at any meeting shall have one vote upon all matters voted upon at such meeting.

10. The Board shall designate one member to be the "Lead Director". The presiding officer at all meetings of the Directors shall be the Chairman of the Board, or, in his absence or disability, the President, or, in his absence or disability, the Lead Director. In the absence or disability of these officers, the directors present at any meeting shall appoint a Chairman, who shall preside at such meeting. In the absence of the Secretary, the presiding officer shall appoint a Secretary.

11. The officers of the Company shall be elected by the Board of Directors annually, in accordance with Article X of the Articles. If any office becomes vacant during the year, the Board of Directors shall fill the same for the unexpired term. The Board of Directors shall fix the compensation of the officers of the Company at the level of Vice President and above.

12. The order of business at any regular or special meeting of the Board of Directors shall be determined by the Chairman of the Board.

ARTICLE 3.

Officers

1. Except as otherwise specified in the Articles, the officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board may designate from time to time. These officers shall be elected by the Board of Directors at the first regular meeting of Directors each year, and shall hold office for a term of one year, and until their respective successors are duly elected and qualify. The Chairman of the Board and the President shall be elected from among the Board of Directors and shall receive such compensation as shall be fixed by the Board. The Board shall have authority to approve titles for any of the above officers, which include additional descriptive terms. The

Board shall designate the Chief Executive Officer at the time of the election of officers, and in the event of any vacancy it shall designate the successor.[1]

2. The Board shall establish the composition of the Executive Committee, and the Chairman of the Board shall preside at all meetings of the Executive Committee. In his absence or disability, the President shall preside. The Chairman, with the Secretary, shall sign the minutes of all meetings over which he may have presided.

The Chairman of the Board shall advise and consult with the President with respect to the general administration of the Company's business and shall perform such other duties as are prescribed from time to time by the Board of Directors.

The Chief Executive Officer shall be responsible for the operation and general management of the Company, within the policies established by the Board of Directors. As soon as possible after the first of each year, but not later than the regular meeting of the Board in February, the Chief Executive Officer shall submit a complete report of the operations of the Company for the preceding year, together with a statement of the Company's affairs as they existed at the close of such year, to the Chairman for delivery to the Board of Directors and to the Annual Meeting. He shall also report to the Chairman and to the Board of Directors from time to time on such matters coming within his notice and relating to the interests of the Company as should be brought to the attention of the Board.

The Chairman shall be an ex-officio member of all Board committees except the Audit Committee. The President shall be a member of all Company operating committees, and those Board committees to which he is appointed or named in the By-laws. The officer named as the Chief Executive Officer by the Board of Directors, under the direction of the Board of Directors, shall have the power and authority to employ and discharge all employees and agents, except the officers elected by the Board of Directors, and to fix their salaries and remuneration, and perform such other duties as may properly be required of him by the Board of Directors. The Chief Executive Officer, at his discretion, may delegate this authority, in whole or in part, to other appropriate officers.

Both the President and the Chairman shall have authority to sign or countersign, as may be necessary, all policies and such bills, notes, checks, contracts and other instruments as may pertain to the ordinary course of the Company's business, and to sign, when duly authorized thereto, all contracts, orders, deeds, liens, licenses and other instruments of a special nature. They may also, in the absence or disability of the Treasurer, endorse checks, drafts, and other negotiable instruments for deposit or collection, and shall, with the Secretary, sign the minutes of all meetings over which either may have presided.

3. The Secretary shall keep full minutes of all meetings of the Members, the Board of Directors, the Executive Committee, and the Finance Committee. He shall read such minutes at the proper subsequent meetings, or he may delegate said duties to any other person when so

[1] Note to Draft: The Board of Directors will sign omnibus resolutions at the Effective Time that will, among other things, appoint the officers listed in Exhibit 1.9(a) to the Merger Agreement to the positions specified in that Exhibit.

authorized by the Board of Directors. He shall issue all calls for meetings and notify all officers and directors of their election. He shall make such reports to the Board of Directors as they may request, and shall prepare such reports and statements as required by state laws, and file them with the respective states in which the Company is doing business, at the proper time and in the proper form so required.

The Secretary shall also sign, with the Chairman of the Board or the President, all contracts, deeds, licenses and other instruments, when so ordered. He shall have charge of and keep the seal of the Company. He shall maintain in convenient form a complete list of the Members entitled to vote at meetings, and shall keep the same open to inspection at the office of the Company until the time of and during the said meeting. In the absence or disability of the Secretary, any one of the Assistant Secretaries may exercise all of these functions.

4. The Treasurer shall have custody of and be responsible for all securities and moneys of the Company, and shall sign, with the Chairman or the President, all checks drawn by the Company for money on deposit in their respective depositories. He shall deposit, in the name of the Company, in such depository or depositories as are approved by the Chairman or President, all moneys that may come into his hands for the Company's account. He shall also endorse for collection and deposit all bills, notes, checks and other negotiable instruments of the Company, and shall pay out such money as may be necessary for the transaction of the Company's business, either by special or general direction of the Board of Directors, on checks signed by the Chairman or President and himself. He may delegate the endorsements for collection or deposit of bills, notes, checks and other negotiable instruments to the Cashier of the Company.

The Treasurer may delegate the signing or countersigning of checks to other persons who shall be authorized by the Board of Directors.

5. In addition to the officers aforesaid, the President may appoint, subject to the approval of the Board of Directors, an attorney, and such other officials and assistant officials as may be deemed necessary from time to time for the proper conduct of the business, all of whose duties shall be defined by the President, and may be combined with those of some other official or assistant official.

ARTICLE 4.

Committees

1. The Board of Directors may elect from its number such committees as it may deem necessary or convenient for the conduct of the business of the Company, and may delegate to any such committee or committees some or all of the powers of the directors except those which by law or by these By-laws it is prohibited from delegating. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business.

ARTICLE 5.

Sundry Provisions

1. The corporate seal of the Company shall consist of two concentric circles, between which shall be the name of the Company, and in the center shall be inscribed an outline map of the Western Hemisphere, and such seal is hereby adopted as the corporate seal of the Company.

2. Any adoption, amendment or repeal of these By-laws must be submitted in writing at a stated meeting of the Board of Directors, to be considered only at the next succeeding meeting, and may be adopted upon the vote of two-thirds of all the Directors; provided that, notwithstanding the foregoing, until [*insert five year anniversary of the Effective Time*] but not thereafter, the terms of paragraph 1, 2 or 3 of Article 2 of these By-laws may not be superseded, amended or repealed in a manner that is adverse to the MTL Directors without the affirmative vote of at least a majority of the members of MTL's Advisory Board. For the avoidance of doubt, the proviso in the prior sentence shall not be effective from and after [*insert five year anniversary of the Effective Time].*

3. No officer or director of the Company shall, directly or indirectly, borrow the funds of the Company, or use the same except for the payment of losses and other obligations of the Company, and for expenses incurred by the Company.

4. All contracts to be binding upon the Company shall be signed by the Chairman of the Board, the President, a Vice President, Secretary, Treasurer, or such officers, cashiers, agents or employees to whom such power may be delegated by the Board of Directors, or by any authorized Committee of the Company, but the signature of the Chairman of the Board, the President, a Vice President, Secretary, or Assistant Secretary may be printed or lithographed in facsimile upon any policy contract or check or upon any other printed or written form of contract of the Company when countersigned by the signature or initials of any personnel authorized by the Board of Directors or any authorized Committee of the Company.

5. All officers and employees, except the Chairman of the Board and the President, shall be employed as at-will employees unless the Board of Directors otherwise specially authorizes an exception.

ARTICLE 6.

Indemnification

To the full extent permitted by applicable law, the Company shall indemnify and hold harmless any director, officer, and employee now or hereafter serving the Company who was or is a party or is threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, including any action by or in the right of the Company, by reason of the fact that he is or was a director, officer, or employee of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, or agent of another business, foreign or nonprofit corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, from and against all liability and expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding. Such indemnification may, in the discretion of the Board of Directors, include advances of his expenses in advance of final disposition of such action, suit, or proceeding, subject to the provisions of any applicable statute.

****

I, Patrick C. Fraizer, do hereby certify that the foregoing is a true and correct copy of the By-laws of the Pan-American Life Mutual Holding Company, effective [____].

Signed in New Orleans, Louisiana, this ____ day of ____________, ____.

____
Patrick C. Fraizer
Corporate Secretary
Pan-American Life Mutual Holding Company

EXHIBIT 1.5(C)

PROPOSED AMENDED AND RESTATED IHC ARTICLES

EXHIBIT 1.5(c)

AMENDED & RESTATED

ARTICLES OF INCORPORATION

OF

PAN-AMERICAN LIFE INSURANCE GROUP, INC.

ARTICLE I

The name of this Company is Pan-American Life Insurance Group, Inc. (the "Company").

ARTICLE II

The Company is a Louisiana corporation that holds all of the voting shares of the capital stock of each of Pan-American Life Insurance Company and MTL Insurance Company as an intermediate holding company in accordance with Section 22:231 of the Louisiana Revised Statutes. The Company was formed for the purpose of doing any and all acts either permitted or not prohibited under the laws of the State of Louisiana for intermediate holding company affiliates of mutual insurance holding companies. The Company is the surviving company resulting from the merger of MTL Holdings, Inc., a Delaware corporation, with and into the Company. The effective date of these Amended & Restated Articles of Incorporation shall be [____].

ARTICLE III

The duration of the Company shall be in perpetuity, or such maximum period as may be authorized by the laws of the State of Louisiana, unless the Company shall be liquidated, dissolved or merged as permitted by law.

ARTICLE IV

The location and post office address of the Company's registered office is:

Pan-American Life Insurance Group, Inc.
601 Poydras St.
New Orleans, LA 70130

ARTICLE V

The full name and post office address of the Company's registered agent for service of process is:

Patrick Fraizer
Pan-American Life Insurance Group, Inc. Legal Department
601 Poydras St.
New Orleans, LA 70130

ARTICLE VI

The amount of working capital with which the Company began business was $250,000, which was received in the form of a distribution from Pan-American Life Insurance Company.

ARTICLE VII

Section 7.1 The aggregate number of shares of stock that the Company shall have authority to issue is 650 million shares, consisting of 200 million shares of Class A Common Stock, par value $0.01 per share (the "Class A Common Stock"), 50 million shares of Class B Common Stock, par value $0.01 per share (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock") and 400 million shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock"). The number of authorized shares of the Class A Common Stock, the Class B Common Stock and the Preferred Stock, or of any other class of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of stock of the Company entitled to vote thereon, and no vote of the holders of any of the Class A Common Stock, the Class B Common Stock and the Preferred Stock, or of any other class of stock, voting separately as a class, shall be required therefor.

Section 7.2 Except as otherwise required by law, with respect to all matters upon which shareholders are entitled to vote or to which shareholders are entitled to give consent, the holders of any outstanding shares of Class A Common Stock, the holders of any outstanding shares of Class B Common Stock and the holders of any outstanding shares of Preferred Stock (when entitled to vote) shall vote together without regard to class.

Section 7.3 Shares of Class B Common Stock shall only be issued to Pan-American Life Mutual Holding Company or to an intermediate holding company controlled by Pan-American Life Mutual Holding Company.

ARTICLE VIII

Section 8.1 (a) The powers, preferences and relative participating, optional or other special rights and any qualifications, limitations or restrictions of the Class A Common Stock and Class B Common Stock shall be in all respects identical, except as otherwise required by law or expressly provided in these Articles of Incorporation. Every holder of Class A Common Stock shall be entitled to cast thereon one vote in person or by proxy for each share standing in such holder's name on the books of the Company, and every holder of Class B Common Stock shall be entitled to cast 10 votes in person or by proxy for each share standing in such holder's name on the books of the Company. For the avoidance of doubt, voting and proxy submission may take place electronically or telephonically consistent with the requirements of the Louisiana Uniform Electronic Transactions Act, Sections 9:2601 through 9:2621 of the Louisiana Revised Statutes.

(b) Subject to all the rights of any series of Preferred Stock, the holders of Class A Common Stock and Class B Common Stock shall be entitled to receive such dividends or other distributions payable in cash, stock or otherwise, when, as and if declared by the Board of Directors, out of funds legally available for the payment thereof, and shall share equally on a per share basis in all such dividends or other distributions. No dividend or other distribution may be declared or paid on any share of Class A Common Stock unless a like dividend or other distribution is simultaneously declared or paid, as the case may be, on each share of Class B Common Stock, nor shall any dividend or other distribution be declared or paid on any share of Class B Common Stock unless a like dividend or other distribution is simultaneously declared or paid, as the case may be, on each share of Class A Common stock, in each case without preference or priority of any kind; provided, however, that if dividends are declared that are payable in shares of Common Stock or in rights, options, warrants or other securities convertible into or exchangeable for shares of Common Stock, dividends shall be declared that are payable at the same rate on both classes of Common Stock, and the dividends payable in shares of Class A Common Stock or in rights, options, warrants or other securities convertible into or exchangeable for shares of Class A Common Stock shall be payable to holders of Class A Common Stock, and the dividends payable in shares of Class B Common Stock or in rights, options, warrants or other securities convertible into or exchangeable for shares of Class B Common Stock shall be payable to holders of Class B Common Stock. If the Company in any manner reclassifies, subdivides or combines the outstanding shares of Class B Common Stock, the outstanding shares of the Class A Common Stock shall be proportionately reclassified, subdivided or combined, as the case may be. Similarly, if the Company in any manner reclassifies, subdivides or combines the outstanding shares of Class A Common Stock, the outstanding shares of the Class B Common Stock shall be proportionately reclassified, subdivided or combined, as the case may be.

(c) Each share of Class B Common Stock is convertible, at the option of the holder thereof, into one share of Class A Common Stock. In order to voluntarily convert shares of Class B Common Stock into shares of Class A Common Stock pursuant to this Subsection (c), the holder thereof shall deliver to the office of the Company or the transfer agent for the Class B Common Stock (x) the certificate or certificates representing the shares of Class B Common Stock to be converted, duly endorsed in blank or accompanied by proper instruments of transfer and by any required tax transfer stamps and (y) written notice to the Company that such holder elects to convert such shares of Class B Common Stock and stating the name and address in which each certificate representing shares of Class A Common Stock issued upon such conversion is to be issued. To the extent permitted by law, such voluntary conversion shall be deemed to have been effected at the close of business on the date when such delivery is made to the Company or to such transfer agent of the certificates representing the shares to be converted, and the person exercising such voluntary conversion shall be treated for all purposes as the holder of record of the number of shares of Class A Common Stock issuable upon such voluntary conversion at such time; provided, however, that such person shall be entitled to receive, when paid, any dividends declared on the Class B Common Stock as of a record date preceding the time of such voluntary conversion and unpaid as of the time of such voluntary conversion. The Company shall promptly deliver certificates evidencing the appropriate number of shares of Class A Common Stock to such person at the address set forth in the above-referenced written notice.

(d) Any shares of Class B Common Stock that shall have been converted into shares of Class A Common Stock at any time pursuant to the foregoing Section (c) of this Article VIII shall, after such conversion, be canceled and shall not be reissued.

(e) In the event of a merger or consolidation of the Company with or into another entity (whether or not the Company is the surviving entity), the holders of each share of Class A Common Stock and Class B Common Stock shall be entitled to receive the same per-share consideration as the per-share consideration, if any, received by the holders of each share of such other class of stock.

(f) Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, and subject to the rights of the holders of the Preferred Stock, the net assets of the Company available for distribution to shareholders of the Company shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests, and the Class B Common Stock shall rank pari passu with the Class A Common Stock as to such distribution.

(g) Subject to the rights of holders of Preferred Stock, if any, and subject to any other provisions of these Articles of Incorporation, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Company as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Company legally available therefor.

ARTICLE IX

The Board of Directors shall have the authority in respect of any unissued or treasury shares of any class and specifically, without limitation, the Preferred Stock, to amend these Articles of Incorporation to fix or change the preferences, limitations and relative rights of the shares of any class, and to establish, and fix variations in relative rights as between, series of any preferred or special class. This authority shall include, but not be limited to, the authority to fix or change: the division of such shares into series and the designation and authorized number of shares of each series; the dividend or distribution rate; the dates of payment of dividends or distributions and the dates from which they are cumulative; liquidation price; redemption rights and price; sinking fund requirements; conversion rights; and restrictions on the issuance of shares of any class or series.

ARTICLE X

Section 10.1 The Company, pursuant to authorization of the Board of Directors and without action by shareholders, may acquire, hold, sell and dispose of shares of any class of stock, bonds, debentures, notes, script, warrants, obligations, evidences of indebtedness or other securities of the Company (or any other company) in such manner, upon such terms and in such amounts as the Board of Directors may determine; <u>provided</u>:

(a) The Company shall not issue any shares of its Common Stock or Preferred Stock or securities convertible into such Common Stock or Preferred Stock, and shall not buy back any shares of its Common Stock or Preferred Stock or securities convertible into such Common Stock or Preferred Stock if, as a result of such issuance or buyback, the issued and outstanding voting shares of capital stock of the Company held by Pan-American Life Mutual Holding Company, either directly or indirectly through an intermediate holding company, would be less than, in the aggregate, a majority of the issued and outstanding voting shares of the capital stock (within the meaning of Section 22:231 of the Louisiana Revised Statutes) of the Company.

Section 10.2 The holders of shares of the Company shall have no preemptive rights and specifically shall not have the right to purchase any shares of the same class in proportion to the respective shares of such class which are offered or sold for cash or for consideration other than money or of any issue of securities convertible into stock of the Company.

ARTICLE XI

Section 11.1 All powers that are vested in the Company, and are not expressly vested in the shareholders of the Company, shall be possessed and exercised by a classified Board of Directors consisting of not less than seven nor more than 14 members, the precise number to be determined solely by the Board of Directors. The number of directors constituting the initial Board of Directors will be 12. The Board of Directors shall be divided into five classes, initially as set forth below and whose initial terms shall expire at the annual meetings in 2016, 2017, 2018, 2019 and 2020. At each succeeding annual meeting following such initial classification and election, the respective successors will be elected for five-year terms. At each annual meeting of shareholders, the successors to the class of directors whose term shall then expire shall be elected to hold office for five years or until their successors (if any) are elected and qualified or until his or her earlier death, resignation or removal. In the event of any increase or decrease in the number of directors, adjustments in classes of directors may be made, in such manner that all classes are as nearly equal in number as possible.

Section 11.2 The names, addresses, classifications and terms of office for the initial Board of Directors of the Company are as follows:

Name	**Address**	**Classification**	**Term Expires**
Stephen Batza		V	2020
Jerry Carlisle		III	2018
Carlos F. Mickan		II	2017
Kenneth Mlekush		III	2018
Wendell Mottley		III	2018
Carlos Palomares		V	2020
Dr. Patrick J. Quinlan		I	2016
Coleman Ross		I	2016
Jose S. Suquet		IV	2019
J. Antonio Villamil		I	2016
[*Windy Designee*]		V	2020
[*Windy Designee*]		V	2020

Section 11.3 Any one or more directors may be removed only with cause and only (i) at any time by the affirmative vote of at least a majority of all directors then constituting the Board of Directors or (ii) by the affirmative vote of the holders of at least a majority of the voting power of all persons present or represented by proxy at a special meeting of shareholders, convened for that specific purpose.

Section 11.4 Except as required by applicable law or the By-laws of the Company, any vacancy on the Board of Directors (including any vacancy resulting from an increase in the authorized number of directors, from the removal of a director or from a failure of the shareholders to elect the full number of authorized directors) shall, notwithstanding any resulting absence of a quorum of directors, be filled only by vote of a majority of the remaining directors.

Section 11.5 Any director absent from a meeting of the Board of Directors or any committee thereof, may be represented by any other director or shareholder, who may cast the vote of the absent director according to the written instructions, general or special, of the absent director.

Section 11.6 The Board of Directors shall annually elect the officers of the Company, which shall include a Chairman of the Board of Directors, a President, who shall be a member of the board, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the By-laws of the Company may provide. The Board of Directors may, in its discretion, combine any two or more of the above officers in one person; provided that no person holding more than one office may sign, in more than one capacity, any certificate or other instrument required by law to be signed by two officers.

ARTICLE XII

The Board of Directors shall have the power, without the assent or vote of the shareholders, to adopt, amend or repeal the By-laws of the Company; provided that (i) any such adoption, amendment or repeal is done in accordance with and does not conflict with these Articles of Incorporation and (ii) notwithstanding the foregoing, until [*insert five year anniversary of the Effective Time*] but not thereafter, the terms of paragraph 1, 2 or 3 of Article 2 of the By-laws of the Company may not be superseded, amended or repealed in a manner that is adverse to the MTL Directors (as defined in the By-laws of the Company) without the affirmative vote of at least a majority of the members of MTL Insurance Company's Advisory Board (as such term is defined in that certain Agreement and Plan of Merger, dated April [●], 2015, by and between Pan-American Life Mutual Holding Company and Mutual Trust Holding Company). For the avoidance of doubt, clause (ii) of the previous sentence shall not be effective from and after [*insert five year anniversary of the Effective Time*].

ARTICLE XIII

Section 13.1 The liability of directors and officers of the Company for monetary damages for breach of fiduciary duty as a director or officer shall be eliminated to the fullest extent permitted under the laws of the State of Louisiana.

Section 13.2 The Company is authorized to provide indemnification of its officers, directors, employees and agents to the fullest extent permitted under the laws of the State of Louisiana, subject to such limitations as may be established by the Board of Directors.

Section 13.3 Whenever the affirmative vote of shareholders is required to authorize or constitute corporate action, the consent in writing to such action signed only by shareholders holding that proportion of the total voting power of the Company on the question which is required by law or these Articles of Incorporation, whichever is higher, shall be sufficient for that purpose, without necessity for a meeting of shareholders.

Section 13.4 The Company expressly reserves the right to amend, alter, change or repeal its Articles of Incorporation or any provision therein, from time to time in such manner and for such purposes as may at the time be permitted by law.

ARTICLE XIV

Section 14.1 Cash property or share dividends, shares issuable to shareholders in connection with a reclassification of stock and the redemption price of redeemed shares, which are not claimed by the shareholders entitled thereto within a reasonable time (not less than one year in any event) after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Company to pay the dividend or redemption price or deliver the certificates for the shares to such shareholders within such time, shall, at the expiration of such time, revert in full ownership to the Company, and the Company's obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease; provided that the Board of Directors may, at any time, for any reason satisfactory to it, but need not, authorize (a) payment of the amount of any cash or property dividend or redemption price or (b) issuance of any shares, ownership of which has reverted to the Company pursuant to a provision of this Article XIV, to the entity who or which would be entitled thereto had such reversion not occurred.

ARTICLE XV

The Company's federal tax identification number is 20-5816271.

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CERTIFICATE

I, **Patrick C. Fraizer**, duly authorized and elected Corporate Secretary of **Pan-American Life Insurance Group, Inc.**, do hereby certify that the above is a true and correct copy of the Amended & Restated Articles of lncorporation of Pan-American-Life Insurance Group, Inc. approved by the Shareholder of **Pan-American Life Insurance Group, Inc.** at a meeting duly and legally held on [ ].

Given under my signature and the Seal of the Company at New Orleans Louisiana, this [ ] day of [ ].

By:________________________________

Name: Patrick C. Fraizer

Title: Corporate Secretary

(CORPORATE SEAL)

EXHIBIT 1.5(D)

PROPOSED AMENDED AND RESTATED IHC BY-LAWS

EXHIBIT 1.5(d)

AMENDED & RESTATED

BY-LAWS

OF THE

PAN-AMERICAN LIFE INSURANCE GROUP, INC.

EFFECTIVE [ ]

ARTICLE I.

Meetings

1. The Annual Meeting of the shareholders (the "Annual Meeting") of Pan-American Life Insurance Group, Inc. (the "Company") shall be held at such place, time and date as the Board of Directors (the "Board of Directors" or the "Board") shall specify in the notice of such Annual Meeting to be provided, pursuant to the immediately following paragraph, for the purpose of receiving the report of the officers, acting on all matters stated in the call for the meeting, and the transaction of such other business as may properly be brought before the meeting. In the event any day specified in this Article as the date for the Annual Meeting is a Saturday, Sunday or legal holiday in the place where such meeting is to be held, then such meeting shall be held on the next business day thereafter in such place.

Written notice or the electronic transmission of notice of every Annual Meeting shall be provided to each shareholder entitled to vote at such Annual Meeting at least ten (10) days and not more than ninety (90) days prior to the day fixed for such Annual Meeting.

2. Special meetings of the shareholders shall be held at the principal office of the Company or at such other location as the Board of Directors shall specify, may be called by the Chairman of the Board at his discretion, and shall be called (i) by the Chairman of the Board when so directed by resolution of the Board of Directors or (ii) as otherwise required by, and in conformity with, applicable law.

Written notice or the electronic transmission of notice of every special meeting of the shareholders shall be provided to each shareholder entitled to vote at such meeting at least ten (10) days and not more than ninety (90) days prior to the day fixed for such meeting, and such notice shall state the object or objects thereof, and no other business shall be transacted at any special meeting save that notified.

3. Except as otherwise required by applicable law, those shareholders that are entitled to vote and are present in person or by proxy at a meeting of the shareholders shall constitute a quorum for the transaction of business. Except as otherwise required by applicable law or provided in the Articles of Incorporation of the Company (the "Articles"), the vote of the holders of a majority of the voting power of all persons constituting such quorum shall be necessary to decide any question coming before the meeting.

4. The voting at the election of directors shall be by ballot, and votes may be cast in person or by duly authorized written proxy, which may be cast electronically.

5. Directors shall be elected by the vote of the holders of a majority of the voting power of all persons present or represented by proxy at the meeting of shareholders at which the election of directors is to be held.

6. At all meetings of the shareholders, the Chairman of the Board, or, in his absence, the President, or, in his absence, another member of the Board of Directors, selected by the Board, shall call the meeting together and preside over the meeting. A secretary for the meeting shall be selected by a vote of the holders of a majority of the voting power of all persons present or represented by proxy at such meeting.

7. The order of business at the Annual Meeting shall be determined by the presiding officer.

ARTICLE II.

Directors

1. The business and property of the Company shall be managed by a board consisting of not less than seven (7) nor more than fourteen (14) directors, and who shall be elected in accordance with Article XI of the Articles, by ballot, by the shareholders, for the terms specified in Article XI of the Articles, and shall serve until the election, or, if applicable, the appointment by the Board of Directors pursuant to Article XI of the Articles, of their successors. Any vacancies on the Board shall be filled in the manner specified herein and in the Articles.

2. Upon the expiration of the initial term of the Directors nominated by Mutual Trust Holding Company who are the directors listed in Section 11.2 of the Articles with an initial term expiring in 2020 (the "MTL Directors"), the Board of Directors or any committee thereof shall give due consideration to the MTL Directors in connection with the potential re-nomination of such MTL Director.

3. If, prior to the fifth anniversary of the date hereof, (i) any MTL Director ceases to serve as a member of the Board of Directors, the individual elected to fill the similar vacancy in the Board of Directors of Pan-American Life Mutual Holding Company ("PALMHC") shall be nominated to fill such vacancy; or (ii) any director that is not an MTL Director ceases to serve as a member of the Board of Directors, the individual elected to fill the similar vacancy in the Board of Directors of PALMHC shall be nominated to fill such vacancy; provided that any person properly nominated pursuant to clause (i) or (ii) of this Section 3 to fill such vacancy on the Board of Directors shall be appointed in accordance with Section 11.4 of the Articles; and provided further that any person nominated pursuant to clause (i) and appointed to the Board of Directors shall be deemed an "MTL Director" for all purposes hereunder.

4. The regular meetings of the Board of Directors shall be held no less frequently than quarterly at such time and place fixed by the Board of Directors.

5. The special meetings of the Board of Directors shall be held in the principal office of the Company in New Orleans, or at such other location as shall be specified in the notice of such meeting if such meeting shall not be held in New Orleans, and may be called at any time by the Chairman of the Board or by any four members of the Board, and may be held at any time, without notice, and for the transaction of any business, provided there is no protest on the part of any member of the Board against such meeting.

6. Any one or more members of the Board of Directors or members of any committee thereof may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

7. Notices of both regular and special meetings shall be mailed, delivered personally, given by telephone, including a voice messaging system, given by facsimile or electronic transmission by the Secretary to each member of the Board not less than two days before such meeting. Notices of special meetings shall state the purpose thereof, and no other business shall be transacted at any special meeting save as so notified, unless with the unanimous consent of all directors. No notice need be given for adjourned meetings.

8. A quorum at any meeting shall consist of a majority of the entire membership of the Board. Except as may otherwise be provided in the Articles with respect to the filling of vacancies on the Board, a majority of such quorum shall be necessary to decide any question that may come up before the meeting. If a quorum is not present at any duly assembled meeting, a majority of those present may adjourn the meeting from day to day, or may transact any other business, until a quorum is secured. At all meetings where a quorum is present, the act of the majority of the directors present at the meeting shall be the act of the Board of Directors.

9. Each member of the Board present in person at any meeting shall have one vote upon all matters voted upon at such meeting.

10. The presiding officer at all meetings of the Directors shall be the Chairman of the Board, or, in his absence or disability, the President, or, in his absence or disability, a Vice President who is a member of the Board of Directors. In the absence or disability of these officers, the directors present at any meeting shall appoint a Chairman, who shall preside at such meeting. In the absence of the Secretary, the presiding officer shall appoint a Secretary.

11. The officers of the Company shall be elected by the Board of Directors annually, in accordance with Article III, Section 1 herein. If any office becomes vacant during the year, the Board of Directors shall fill the same for the unexpired term. The Board of Directors shall fix the compensation of the officers of the Company at the level of Vice President and above.

12. The order of business at any regular or special meeting of the Board of Directors shall be determined by the Chairman of the Board.

ARTICLE III.

Officers

1. Except as otherwise specified in the Articles, the officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board may designate from time to time. These officers shall be elected by the Board of Directors at the first regular meeting of Directors each year, and shall hold office for a term of one year, and until their respective successors are duly elected and qualify. The Chairman of the Board and the President shall be elected from among the Board of Directors and shall receive such compensation as shall be fixed by the Board. The Board shall have authority to approve titles for any of the above officers, which include additional descriptive terms. The Board shall designate the Chief Executive Officer at the time of the election of officers, and in the event of any vacancy it shall designate the successor.

2. The Chairman of the Board shall preside at all meetings of the Board of Directors and of the Executive Committee. In his absence or disability, the President shall preside. The Chairman, with the Secretary, shall sign the minutes of all meetings over which he may have presided.

The Chairman of the Board shall advise and consult with the President with respect to the general administration of the Company's business and shall perform such other duties as are prescribed from time to time by the Board of Directors.

The Chief Executive Officer shall be responsible for the operation and general management of the Company, within the policies established by the Board of Directors. As soon as possible after the first of each year, but not later than the regular meeting of the Board in February, the Chief Executive Officer shall submit a complete report of the operations of the Company for the preceding year, together with a statement of the Company's affairs as they existed at the close of such year, to the Chairman for delivery to the Board of Directors and to the Annual Meeting. He shall also report to the Chairman and to the Board of Directors from time to time on such matters coming within his notice and relating to the interests of the Company as should be brought to the attention of the Board.

The Chairman shall be an ex-officio member of all Board committees except the Audit Committee. The President shall be a member of all Company operating committees, and those Board committees to which he is appointed or named in the By-laws. The officer named as the Chief Executive Officer by the Board of Directors, under the direction of the Board of Directors, shall have the power and authority to employ and discharge all employees and agents, except the officers elected by the Board of Directors, and to fix their salaries and remuneration, and perform such other duties as may properly be required of him by the Board of Directors. The Chief Executive Officer, at his discretion, may delegate this authority, in whole or in part, to other appropriate officers.

Both the President and the Chairman shall have authority to sign or countersign, as may be necessary, all policies and such bills, notes, checks, contracts and other instruments as may pertain to the ordinary course of the Company's business, and to sign, when duly authorized thereto, all contracts, orders, deeds, liens, licenses and other instruments of a special nature. They may also, in the absence or disability of the Treasurer, endorse checks, drafts, and other negotiable instruments for deposit or collection, and shall, with the Secretary, sign the minutes of all meetings over which either may have presided.

3. The Secretary shall keep full minutes of all meetings of the shareholders, the Board of Directors, the Executive Committee, and the Finance Committee. He shall read such minutes at the proper subsequent meetings, or he may delegate said duties to any other person when so authorized by the Board of Directors. He shall issue all calls for meetings and notify all officers and directors of their election. He shall make such reports to the Board of Directors as they may request, and shall prepare such reports and statements as required by state laws, and file them with the respective states in which the Company is doing business, at the proper time and in the proper form so required.

The Secretary shall also sign, with the Chairman of the Board or the President, all contracts, deeds, licenses and other instruments, when so ordered. He shall have charge of and keep the seal of the Company. He shall maintain in convenient form a complete list of the shareholders entitled to vote at meetings, and shall keep the same open to inspection at the office of the Company until the time of and during the said meeting. In the absence or disability of the Secretary, any one of the Assistant Secretaries may exercise all of these functions.

4. The Treasurer shall have custody of and be responsible for all securities and moneys of the Company, and shall sign, with the Chairman or the President, all checks drawn by the Company for money on deposit in their respective depositories. He shall deposit, in the name of the Company, in such depository or depositories as are approved by the Chairman or President, all moneys that may come into his hands for the Company's account. He shall also endorse for collection and deposit all bills, notes, checks and other negotiable instruments of the Company, and shall pay out such money as may be necessary for the transaction of the Company's business, either by special or general direction of the Board of Directors, on checks signed by the Chairman or President and himself. He may delegate the endorsements for collection or deposit of bills, notes, checks and other negotiable instruments to the Cashier of the Company.

The Treasurer may delegate the signing or countersigning of checks to other persons who shall be authorized by the Board of Directors.

5. In addition to the officers aforesaid, the President may appoint, subject to the approval of the Board of Directors, an attorney, and such other officials and assistant officials, as may be deemed necessary from time to time for the proper conduct of the business; all of whose duties shall be defined by the President, and may be combined with those of some other official or assistant official.

ARTICLE IV.

Committees

1. The Board of Directors may elect from its number such committees as it may deem necessary or convenient for the conduct of the business of the Company, and may delegate to any such committee or committees some or all of the powers of the directors except those that by law or by these By-laws it is prohibited from delegating. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business.

ARTICLE V.

Sundry Provisions

1. The corporate seal of the Company shall consist of two concentric circles, between which shall be the name of the Company, and in the center shall be inscribed an outline map of the Western Hemisphere, and such seal is hereby adopted as the corporate seal of the Company.

2. Any adoption, amendment or repeal of these By-laws must be submitted in writing at a stated meeting of the Board of Directors, to be considered only at the next succeeding meeting, and may be adopted upon the vote of two-thirds of all the Directors; provided that, notwithstanding the foregoing, until [*insert five year anniversary of the Effective Time*] but not thereafter, the terms of paragraph 1, 2 or 3 of Article 2 of these By-laws may not be superseded, amended or repealed in a manner that is adverse to the MTL Directors without the affirmative vote of at least a majority of the members of MTL Insurance Company's Advisory Board (as such term is defined in that certain Agreement and Plan of Merger, dated April [●], 2015, by and between PALMHC and Mutual Trust Holding Company). For the avoidance of doubt, the proviso in the prior sentence shall not be effective from and after [*insert five year anniversary of the Effective Time]*.

3. No officer or director of the Company shall, directly or indirectly, borrow the funds of the Company, or use the same except for the payment of losses and other obligations of the Company, and for expenses incurred by the Company.

4. All contracts to be binding upon this Company shall be signed by the Chairman of the Board, the President, a Vice President, Secretary, Treasurer, or such officers, cashiers, agents or employees to whom such power may be delegated by the Board of Directors, or by any authorized Committee of the Company, but the signature of the Chairman of the Board, the President, a Vice President, Secretary, or Assistant Secretary may be printed or lithographed in facsimile upon any policy contract or check or upon any other printed or written form of contract of the Company when countersigned by the signature or initials of any personnel authorized by the Board of Directors or any authorized Committee of the Company.

5. All officers and employees, except the Chairman of the Board and the President, shall be employed as at-will employees unless the Board of Directors otherwise specially authorizes an exception.

ARTICLE VI.

Indemnification

To the full extent permitted by applicable law, the Company shall indemnify and hold harmless any director, officer, and employee now or hereafter serving the Company who was or is a party or is threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, including any action by or in the right of the Company, by reason of the fact that he is or was a director, officer, or employee of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, or agent of another business, foreign or nonprofit corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, from and against all liability and expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding. Such indemnification may, in the discretion of the Board of Directors, include advances of his expenses in advance of final disposition of such action, suit, or proceeding, subject to the provisions of any applicable statute.

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I, Patrick C. Fraizer, do hereby certify that the foregoing is a true and correct copy of the By-laws of the Pan-American Life Insurance Group, Inc., effective [ ].

Signed in New Orleans, Louisiana, this [ ] day of [ ].

Pan-American Life Insurance Group, Inc.

By:__________________________________

Name: Patrick C. Fraizer

Title: Corporate Secretary

EXHIBIT 1.8(A)

ADVISORY BOARD CHARTER

EXHIBIT 1.8(a)

MTL INSURANCE COMPANY

CHARTER OF THE ADVISORY BOARD

I. Purpose:

The advisory board (the "Advisory Board") to MTL Insurance Company ("MTLIC") was established pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") between Pan-American Life Mutual Holding Company ("Pan-American") and Mutual Trust Holding Company ("MTL"). The purpose of the Advisory Board is to provide advice to the respective boards of directors and management of MTLIC and its ultimate parent, Pan-American, and provide recommendations with respect to the business and operations of MTLIC. Pursuant to the Merger Agreement and the Statement of Dividend Principles (defined below), the Advisory Board has also been expressly granted the authority to enforce certain rights on behalf of the Existing MTL Members (defined below).

II. Membership:

The Advisory Board membership shall be as follows:

1. The Advisory Board shall consist of between two and five members appointed in accordance with this Charter.
2. The Advisory Board shall be initially comprised of each person who was a director of MTL immediately prior to the effective time of the merger of MTL with and into Pan-American pursuant to the Merger Agreement (the "Effective Time"), excluding the three directors of MTL who were designated by MTL to serve on the board of directors of Pan-American as of the Effective Time ("MTL MHC Designees").
3. In the event of a vacancy on the Advisory Board, the remaining members of the Advisory Board shall determine, subject to the approval of Pan-American (which approval shall not be unreasonably withheld, delayed or conditioned), whether to fill such vacancy and may fill such vacancy by nominating a successor member satisfactory to MTLIC. Any such successor member of the Advisory Board must have been an existing member of MTL immediately prior to the Effective Time ("Existing MTL Member").
4. The Chair of the Advisory Board shall be appointed, and may be replaced from time to time, in each case, by a majority vote of the Advisory Board members.
5. The members of the Advisory Board shall receive remuneration for their services equivalent to the remuneration provided to any non-employee directors of MTLIC prior to the Effective Time.

III. Term:

The initial term of the Advisory Board shall be the seven-year period immediately following the closing date of the transactions contemplated by the Merger Agreement (the "Closing Date"). Upon the seventh anniversary of the Closing Date, the term of the Advisory Board shall be automatically extended until no later than the tenth anniversary of the Closing Date unless the board of directors of Pan-American approves the dissolution and discontinuance of the Advisory Board.

IV. Meetings:

Meetings of the Advisory Board shall be conducted as follows:

1. The Advisory Board shall meet with such frequency and at such intervals as it determines is necessary to carry out its duties and responsibilities, but in no event shall it meet less frequently than quarterly for the first 12 month period following the Closing of the transactions contemplated by the Merger Agreement.
2. Meetings may be called by the Chair of the Advisory Board or any two Advisory Board members; the Chair shall set the agenda (unless a special meeting is called by the other members) and conduct the meetings.
3. The Advisory Board may permit attendance at meetings, in person or by teleconference, by representatives of MTLIC management, as well as by such advisors, counsel and consultants as the Advisory Board may reasonably determine appropriate or advisable from time to time. In addition, the Advisory Board may, at its discretion, permit attendance at meetings, in person or by teleconference, by Pan-American.
4. If there are two members of the Advisory Board, the concurrence of both members shall be required to take formal action of the Advisory Board. If there are three or more members of the Advisory Board, a majority of the members shall constitute a quorum.
5. Concurrence of a majority of the quorum present at a meeting, or unanimous written consent (as provided below), shall be required to take formal action of the Advisory Board.
6. The Advisory Board may act by unanimous written consent, and may conduct meetings via teleconference or similar communications equipment.
7. The Advisory Board shall report in writing regularly to the boards of directors of MTLIC and Pan-American on matters within the Advisory Board's responsibilities and shall maintain minutes of Advisory Board meetings reflecting matters considered and actions taken.

V. Duties and Responsibilities:

In accordance with the purpose of the Advisory Board and requirements of the Merger Agreement and the statement of dividend principles, which is attached as Exhibit 3.1 to the Merger Agreement ("Statement of Dividend Principles"), the Advisory Board shall, as appropriate:

1. Provide advice and recommendations to the boards of directors and management of MTLIC and Pan-American with respect to the business and operations of MTLIC.

2. Confer with MTLIC and determine acceptable modifications to the Statement of Dividend Principles in accordance with the Statement of Dividend Principles. The Advisory Board shall consider and make a determination with respect to any such request for modification as promptly as practicable but in any event not more than 60 days after receipt of a request, in writing, for such modification being sought.

3. Review periodically any reports prepared by an independent actuary and delivered to MTLIC's board of directors regarding MTLIC's compliance with the requirements of the Statement of Dividend Principles.

4. During the first five years after the Closing Date, in the event that a MTL MHC Designee ceases to serve on Pan-American's board of directors, designate a replacement for such MTL MHC Designee in accordance with Pan-American's by-laws. Such replacement shall be consistent with board election criteria applicable to all of Pan-American's directors and such designee shall be reasonably acceptable to Pan-American's board of directors.

5. Determine whether to approve any amendments, modifications or waivers of the Specified Provisions (defined below) of the Merger Agreement. For a period of seven years from and after the Closing Date, such Specified Provisions may not be amended, modified or waived without the approval of the Advisory Board.

6. Enforce, from and after the Closing Date, the rights and interests of the Existing MTL Members pursuant to the Merger Agreement (with respect to the Specified Provisions), the Statement of Dividend Principles and Article VII of this Charter.

VI. Resources and Authority:

The Advisory Board shall have the authority, as and when it shall be reasonably necessary to the functions of the Advisory Board, to have reasonable access to the management and personnel of MTLIC and Pan-American, provided that the Advisory Board shall provide prior notice to the Chief Executive Officer or the Chief Financial Officer of MTLIC or Pan-American, as applicable, of its intention to obtain such access.

The Advisory Board is authorized, to the extent it deems reasonably necessary or appropriate, to seek advice from internal and external legal counsel and other advisors or consultants to assist in the performance of its duties. In furtherance of the Advisory Board's rights to enforce certain specified provisions of the Merger Agreement (described further below), the Advisory Board shall have the power to retain and appoint a reasonable number of legal and other advisors at a reasonable cost to advise it and to transact matters of litigation or arbitration in connection with and arising out of the Merger Agreement, including agreeing to, negotiating, entering into settlements and compromises of, complying with orders of courts with respect to, and otherwise administering and handling any claims under the Merger Agreement in connection with its enforcement rights.

MTLIC will pay all reasonable compensation and expenses of legal counsel, advisors, or consultants engaged by the Advisory Board, as well as the reasonable and documented out-of-pocket expenses incurred by the Advisory Board in connection with litigation or arbitration arising out of the Merger Agreement pursuant to the Advisory Board's enforcement rights. For the avoidance of doubt, neither Pan-American nor any of its affiliates (other than MTLIC) shall have any obligation to pay directly or indirectly any fees, costs or expenses incurred under this Article VI.

The Advisory Board shall not have the right to approve or initiate any actions on behalf of MTLIC or Pan-American, and MTLIC and Pan-American shall be under no obligation to accept any advice from or recommendations of the Advisory Board, except approval rights expressly contemplated by the Statement of Dividend Principles or the organizational documents of Pan-American.

VII. Enforcement of Certain Provisions of the Merger Agreement:

From and after the Effective Time, the members of the Advisory Board shall be third party beneficiaries of the Merger Agreement for the sole purpose of acting as the irrevocable representative and as true and lawful attorney-in-fact and agent, with full power of substitution or resubstitution, for and on behalf of each Existing MTL Member (in their capacity as such) to enforce the rights of each such Existing MTL Member under the provisions of the Merger Agreement that survive the Effective Time pursuant to Section 9.1 of the Merger Agreement, including Section 1.5 through Section 1.9, Section 1.11 through Section 1.13, Section 3.1, Section 6.10(b) and Section 9.8 of the Merger Agreement (the "Specified Provisions").

VIII. Limitation of Liability:

Members of the Advisory Board shall incur no liability with respect to any action taken or suffered by the Advisory Board or by any such member in the performance of his or her duties and obligations as a member of the Advisory Board or for any other action or inaction taken or omitted to be taken by the Advisory Board or any such member in the performance of his or her rights as a member of the Advisory Board provided such member acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Existing MTL Members and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Acknowledged and agreed as of this
___ day of ___________, 2015:

Pan-American Life Mutual Holding Company

By: ________________________________
Name:
Title:

EXHIBIT 1.8(C)

FORM OF INDEMNIFICATION AGREEMENT

EXHIBIT 1.8(c)

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT is made this [●] day of [●], 201[●] ("Agreement") by and between MTL Insurance Company, an Illinois stock insurance company (the "Company"), and the member of the Company's Advisory Board whose name appears at the end of this Agreement ("Indemnitee") in connection with Indemnitee's service on the Advisory Board of the Company.

WHEREAS, pursuant to that certain Agreement and Plan of Merger, dated as of April [●], 2015, by and between Pan-American Life Mutual Holding Company ("Pan-American) and Mutual Trust Holding Company (the "Merger Agreement"), Mutual Trust Holding Company merged with and into Pan-American, and the Company became a subsidiary of Pan-American;

WHEREAS, in accordance with the terms of the Merger Agreement, the Company has established an advisory board to the Company (the "Advisory Board") to provide advice to the Board and management of the Company and Pan-American, to provide recommendations with respect to the business and operations of the Company and to enforce certain rights of the Existing Members (in their capacity as such) under specified provisions of the Merger Agreement;

WHEREAS, at the request of the Company, Indemnitee has agreed to serve as a member of the Advisory Board and, therefore, may be subjected to claims, suits or proceedings arising as a result of Indemnitee's service; and

WHEREAS, as an inducement to Indemnitee to serve as an Advisory Board Member, the Company has agreed to indemnify Indemnitee against certain losses, costs and expenses imposed upon, incurred by or asserted against Indemnitee in its capacity as an Advisory Board Member; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) "Advisory Board Member" means a member of the Company's Advisory Board.

(b) "Board" means the board of directors of the Company.

(c) "Company Status" means the status of a person as an Advisory Board Member of the Company.

(d) "Excluded Conduct" means conduct of Indemnitee, which (i) is not the result of acting in good faith and in a manner Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Existing Members, and (ii) with respect to conduct involving any criminal action or proceeding, Indemnitee had no reasonable cause to believe was unlawful.

(e) “Existing Members” means the members of Mutual Trust Holding Company immediately prior to the Effective Time (as defined in the Merger Agreement) entitled to vote in accordance with Mutual Trust Holding Company’s articles of incorporation and by-laws in effect immediately prior to the Effective Time.

(f) “Expenses” shall include all reasonable attorneys’ fees and all reasonable costs, including, without limitation, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(g) “Independent Counsel” means counsel that meets all of the following criteria: (i) is not currently representing, nor since the Effective Time has been retained to represent, the Company or Indemnitee in any matter material to either such party; (ii) is not currently representing, nor in the past two years has been retained to represent, Pan-American in any matter material to such party; and (iii) is not currently representing, nor in the past two years has been retained to represent, any other party in the Proceeding giving rise to a request for indemnification hereunder, except that the counsel also may represent one or more other Advisory Board Members in the Proceeding. Independent Counsel shall be selected by Indemnitee and approved by the Board (which approval shall not be unreasonably withheld). In the event that the Board does not approve Indemnitee’s selection within 30 days of written notice from Indemnitee of Indemnitee’s selection, Indemnitee may select another counsel from a law firm having 100 or more attorneys and rated “AV” in Martindale-Hubbell Law Directory to act as Independent Counsel for purposes of this Agreement, *provided* that such other counsel satisfies the criteria in (i) through (iii) in this paragraph. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under applicable standards of professional conduct, would have a material conflict of interest in representing the Company, Pan-American or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(h) “Indemnifiable Amounts” means any and all losses, claims, damages, Expenses, liabilities, judgments, settlements, penalties or fines imposed upon, incurred by or asserted against Indemnitee or incurred on Indemnitee’s behalf in connection with a Proceeding.

(i) “Proceeding” includes any claim, action, suit, arbitration, alternative dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce Indemnitee’s rights under this Agreement.

Section 2. Services by Indemnitee. Indemnitee agrees to serve as an Advisory Board Member but may resign, at any time and for any reason, from such position (subject to any other contractual obligation or any obligation imposed by operation of law). The Company shall have no obligation pursuant to this Agreement to continue Indemnitee in such position, but, in the event that Indemnitee ceases to serve as an Advisory Board Member, Indemnitee shall nevertheless retain all rights provided under this Agreement until its termination.

Section 3. Indemnification – General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as specifically provided in this Agreement and (b) otherwise to the fullest extent permitted by applicable law in effect on the date hereof and as amended from time to time. The rights of Indemnitee provided in this Section shall include, but shall not be limited to, all rights set forth in the other Sections of this Agreement.

Section 4. Rights of Indemnification; Indemnification of Expenses for a Party. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of Indemnitee's Company Status, Indemnitee is, or is threatened to be, made a party to or otherwise involved in any pending, actual, completed or threatened Proceeding, whether or not such Proceeding is brought by or in the right of the Company or any of its affiliates and irrespective of when the conduct that is the subject of the Proceeding occurred. Pursuant to this Section 4, and subject to the procedures contained in Section 6 of this Agreement, the Company shall indemnify Indemnitee against, and hold Indemnitee harmless from, any and all Indemnifiable Amounts of whatever kind which may at any time be imposed upon, incurred by or asserted against Indemnitee or incurred on Indemnitee's behalf (in each case, in Indemnitee's capacity as an Advisory Board Member) in any way relating to or arising out of or in connection with Indemnitee's performance of [his][her] rights as an Advisory Board Member to the maximum extent permitted by applicable law; *provided*, that Indemnitee shall not be indemnified or held harmless pursuant to this Section 4 to the extent Indemnitee is made party in a Proceeding and found liable by reason of Excluded Conduct. Without limiting any other rights of Indemnitee in this Agreement, if Indemnitee is not wholly successful in a Proceeding, but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, or is not successful as to one or more claims for reasons other than Excluded Conduct, the Company shall indemnify Indemnitee against, and hold Indemnitee harmless from, all Indemnifiable Amounts imposed upon, incurred by or asserted against Indemnitee or incurred on Indemnitee's behalf (in each case, in Indemnitee's capacity as an Advisory Board Member) in connection with each claim, issue or matter to the maximum extent permitted by applicable law. For purposes of this Section and without limitation, subject to the procedures contained in Section 6 of this Agreement, the termination of any claim, issue or matter in any such pending Proceeding by dismissal, with or without prejudice, or by settlement agreement without an admission of liability, shall be deemed to be a successful result as to such claim, issue or matter.

Section 5. Advancement of Expenses.

(a) Advancement of Expenses of a Party. The Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding to which Indemnitee is, or is threatened to be, made a party, within 10 business days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, prior to final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by (a) a written affirmation by Indemnitee of Indemnitee's good faith belief that Indemnitee has not engaged in Excluded Conduct in connection with the Proceeding and (b) a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee has engaged in Excluded Conduct or if Indemnitee is not successful with respect to a claim, issue or matter by reason of Excluded Conduct, as determined in accordance with Section 4.

(b) Indemnification and Advance of Expenses of a Non-Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Company Status, made a witness or otherwise asked to participate, or is otherwise involved, in any Proceeding, whether instituted by the Company or any of its affiliates or any other party, and to which Indemnitee is not a party, Indemnitee shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within 10 days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee.

Section 6. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under Sections 3 or 4 of this Agreement, Indemnitee shall submit a written request to the Company. Counsel to the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 6(a) hereof: (i) if Indemnitee has been successful, on the merits or otherwise, in defense of the Proceeding at issue (including a decision in an action for which Indemnitee seeks indemnity under this Agreement), then Indemnitee shall be entitled to indemnification for Indemnifiable Amounts, and (ii) if there has been a final non-appealable decision on the merits (including a decision in an action for which Indemnitee seeks indemnity under this Agreement) by a court or other body in the Proceeding at issue or if, at the time of Indemnitee's written request, there shall have been no final non-appealable decision on the merits by a court or other body, including because the Proceeding at issue has been settled, then Indemnitee shall be entitled to indemnification, for Indemnifiable Amounts, *provided that* (a) where there has been a final non-appealable decision on the merits, the court or other body adjudicating the Proceeding at issue did not find Indemnitee liable by reason of Excluded Conduct and (b) with respect to the Proceeding at issue, a determination is made that indemnification is permissible under the circumstances because Indemnitee had not engaged in Excluded Conduct, by Independent Counsel in a written opinion. Indemnitee shall be afforded a rebuttable presumption that Indemnitee has not engaged in Excluded Conduct, except no such presumption shall be afforded in those cases where a Proceeding is terminated by conviction, or a plea of *nolo contendere* or its equivalent, or an entry of an order of probation prior to judgment.

(c) If it is determined that Indemnitee is entitled to indemnification under this Agreement, payment to Indemnitee shall be made within 10 business days after such determination. Indemnitee shall cooperate with the person making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person upon reasonable request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including reasonable attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person making such determination, in response to a request by such person, shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification).

Section 7. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification, (ii) advancement of Expenses is not timely made pursuant to Section 5, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) or Section 6(c) within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 4 within 10 business days after receipt by the Company of written request therefor pursuant to Section 6, or (v) payment of indemnification is not made within 10 business days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Illinois or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advancement of Expenses.

(b) If Indemnitee, pursuant to Section 7(a), seeks a judicial adjudication of Indemnitee's rights under, or to recover damages for breach of this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication, but only if Indemnitee prevails therein. If it shall be determined in said judicial adjudication that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated in the same proportion as the amount of the indemnification or advancement of Expenses awarded in the judicial adjudication.

Section 8. Non-Exclusivity; Insurance; Subrogation; Exclusions.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law or the Company's Advisory Board Charter, any agreement, a vote of Pan-American's members or a resolution of the Board, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Company Status prior to such amendment, alteration or repeal.

(b) If the Company maintains liability insurance for Advisory Board Members of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available (including coverage after Indemnitee is no longer serving in a Company Status for acts and omissions or alleged acts or omissions while serving in a Company Status) for any such Advisory Board Member under such policy or policies.

(c) In the event of any payment under this Agreement, when Indemnitee has been fully and indefeasibly indemnified (hereunder and/or otherwise) in respect of all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with a Proceeding by reason of Indemnitee's Company Status, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder to the extent Indemnitee otherwise actually has received such payment under any insurance policy, contract, agreement or otherwise.

Section 9. Duration of Agreement. This Agreement shall continue until and terminate 10 years after the date that Indemnitee shall have ceased to serve as an Advisory Board Member of the Company, *provided*, that the rights of Indemnitee hereunder shall continue until the final termination of any proceeding then pending in respect of which Indemnitee is granted rights to indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 7 relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators. The Company agrees that it shall not sell, assign or otherwise transfer all or substantially all of its assets, or merge or reorganize with any other entity or series thereof, unless the entity or series to which such sale, assignment or transfer is being made, or that is the survivor of any such merger or reorganization, assumes by operation of law or separate agreement all of the obligations (whether contingent or otherwise) of the Company hereunder or a customary D&O tail policy is acquired to cover the Indemnitee.

Section 10. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 11. Except to Right of Indemnification or Advancement of Expenses.

(a) Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee (other than a Proceeding under Section 7(a) of this Agreement), unless the bringing of such Proceeding or making of such claim shall have been approved by a vote of a majority of the members of the Board. For the avoidance of doubt, the foregoing is not intended to apply with respect to a claim brought by the Advisory Board in accordance with the Merger Agreement.

(b) Notwithstanding any other provision of this Agreement, the Company shall not be liable to indemnify Indemnitee against any liability to Pan-American or any of its members to which Indemnitee (other than a Proceeding under Section 7(a) of this Agreement) otherwise would be subject by reason of Excluded Conduct.

(c) Notwithstanding any other provision of this Agreement, the Company shall not be liable to indemnify Indemnitee against any liability to Pan-American or any of its members arising in connection with a Proceeding by or in the right of Pan-American in which the Indemnitee shall have been adjudged to be liable to Pan-American in a final non-appealable decision on the merits by a court or other body.

Section 12. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 13. Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 14. Modification and Waiver. No supplement, modification or amendment shall be binding unless executed in writing by Indemnitee and the Company. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 15. Notice by Indemnitee. Indemnitee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advance of Expenses covered hereunder. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

Section 16. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is mailed:

(a) If to Indemnitee, to:

the address set forth below Indemnitee's name at the end of this Agreement

(b) If to the Company, to:

MTL Insurance Company
1200 Jorie Boulevard
Oak Brook, Illinois 60523-2269
Attention: General Counsel
Facsimile: (630) 684-5332
Email: gaughang@mutualtrust.com

with a copy to (which shall not constitute notice):

Pan-American Life Mutual Holding Company
601 Poydras Street
New Orleans, LA 70130
Attention: General Counsel
Facsimile: (504) 566-3787
Email: pfraizer@palig.com

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 17. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

MTL INSURANCE COMPANY

____
By:
Title:

AGREED TO AND ACCEPTED BY:

____
Advisory Board Member Name:
Address:

EXHIBIT 1.9(A)

EXECUTIVE OFFICERS

<u>Exhibit 1.9</u>

Executive Officers

<u>Pan-American Life Mutual Holding Company & Pan-American Life Insurance Group, Inc.</u>

Jose Suquet, *Chairman of the Board, President and CEO*

Carlos Mickan, *Executive Vice President, Chief Financial Officer, Member of the Board*

Stephen Batza, *President, US Domestic Life, Member of the Board*

Robert DiCianni, *President, International Group*

Selig Ehrlich, *Chief Actuary & Risk Officer*

John Foley, *President, US Domestic Group*

Patrick Fraizer, *Senior Vice President- HR, General Counsel, and Corporate Secretary*

Bruce Parker, *President, International Life*

Scott Reitan, *Senior Vice President of Administration and Information Technology*

Rodolfo Revuelta, *Senior Vice President, Investments*

Marta Reeves, *Vice President, Corporate Marketing*

Bryan Scofield, *Vice President, Human Resources*

EXHIBIT 3.1

STATEMENT OF DIVIDEND PRINCIPLES

Statement of Dividend Plan Principles

This document is the "Statement of Dividend Principles" referenced in Section 3.1 of the Agreement and Plan of Merger to which is it attached (the "Merger Agreement"). This document is sometimes referred to herein as the "Dividend Protection Plan." Capitalized terms that are used but not defined in this document have the meanings given to them in the Merger Agreement. This Dividend Protection Plan shall be effective as of the date of the Effective Time.

Section 1.0 *Purpose.* MTLIC (which is referred to through this Dividend Protection Plan as the "Company") adopts the provisions set forth herein for the purpose of protecting the reasonable expectations of Present Participating Policyholders regarding dividends, and in one case, another nonguaranteed element, based on the Company's current and historical practices regarding the determination of scales of dividends and other nonguaranteed elements. Except as provided in this Exhibit, there are no protections for any other policies or any other nonguaranteed elements. For example, there are no protections for excess interest credits on universal life and deferred annuities, and there are no protections for policies with dividend scales anticipated to be zero such as level premium term insurance.

Section 1.1 *Compliance with Applicable Law*. Notwithstanding anything to the contrary set forth in this Dividend Protection Plan, if any action that is required or permitted to be taken hereunder may not be taken under applicable Law without any Governmental Approval, then (i) such action shall not be taken unless and until the Company obtains such Governmental Approval and (ii) the Company shall use its reasonable best efforts promptly to obtain such Governmental Approval.

Section 2.0 *Group A Policies.*

2.1. *Group A Policies* are Present Participating Policies that are term life insurance policies or deferred annuity policies with a current non-zero dividend scale on product codes shown in Schedule 1.

2.2. For Group A Policies, the Company shall not, for the life of such policies but subject to the Applicable Exceptions, decrease the dividend scale declared below the dividend scale in effect as of the date hereof.

Section 3.0 *Group B Policies.*

3.1. *Group B Policies* are Present Participating Policies that are Single Premium Life for Supplemental Security Recipients policies with a current non-zero termination dividend scale on the product code shown in Schedule 2.

3.2. For Group B Policies, the Company shall not, for the life of such policies but subject to the Applicable Exceptions, decrease the interest rate used to increase annually the termination dividend scale below the comparable interest rate used most recently before the date hereof.

Section 4.0 *Group C Policies.*

4.1. *Group C Policies* are Present Participating Policies that are Millennium Crown Term to 99 policies with a current nonguaranteed premium scale below the maximum on the product code shown in Schedule 3.

4.2. For Group C Policies, the Company shall not, for the life of such policies but subject to the Applicable Exceptions, increase the scale of nonguaranteed premiums charged above the premium scale in effect as of the date hereof.

Section 5.0 *Group D Policies.*

5.1. *Group D Policies* are Present Participating Policies that are permanent participating life insurance policies on product codes shown in Schedule 4. Group D Policies shall not include Group A Policies, Group B Policies, Group C Policies, or any other policies not listed in Schedule 4 as being in Group D.

5.2. Dividends for Group D Policies shall be determined annually by the Board of Directors of the Company in a manner consistent with the terms of the Group D Policies and with the Company's past dividend practices, subject to minimum aggregate dividend scales declared to satisfy the requirements of this Dividend Protection Plan, except that this Dividend Protection Plan may be changed as provided in Section 6.0.

5.3. For Group D Policies, the Company will continue to pay dividends in a manner consistent with the Company's past dividend practices except that the reasonable dividend expectations of such policyholders shall be protected in the manner described more specifically in this Dividend Protection Plan. In general, such dividend protection shall consist of the following:

5.3.1. Dividends for Group D Policies shall be annually determined and declared by the Board of Directors of the Company consistent with terms of the Group D Policies and with the Company's past dividend payment practices. The foregoing notwithstanding, any future dividend scales adopted by the Board for Group D Policies shall be sufficient in aggregate to meet the requirements of this Dividend Protection Plan.

5.3.2. The Dividend Protection Plan for Group D Policies provides (1) for a "Final Target Dividend Scale" to be developed by defined procedures as described in this Dividend Protection Plan, (2) for the Board of Directors of the Company and the Company's management to determine a tentative dividend scale for declaration, with details that reflect their then current judgments, (3) for an aggregate cumulative comparison between Final Target Dividends and declared dividends since the beginning of the Dividend Protection Plan, including the then current tentative dividend scale for declaration, and (4) for a minimum aggregate dividend scale to be declared if the cumulative declared dividends would fall behind the cumulative Final Target Dividends in aggregate by more than 10% of the aggregate dividends declared at that time.

5.3.3. The procedures to develop the Final Target Dividend Scale over time are below in this Dividend Protection Plan and in Schedules 5 and 6, and the Company shall not, for the life of the

Group D Policies but subject to the Applicable Exceptions, change the procedures and factors specified in this Dividend Protection Plan.

5.4. The Dividend Protection Plan for Group D Policies is defined below:

5.4.1. "Declared Dividends" will be the scale of dividends declared for actual payment or crediting.

5.4.2. "Final Target Dividends" will be the scale of hypothetical dividends determined for use in the Dividend Protection Plan as a reference scale to guide the long term level of aggregate dividends to be declared. Related concepts used to determine Final Target Dividends are the "Dividend Scale of 2015," "Target Dividends" and "Subsidized Target Dividends" defined in the following subsections.

5.4.3. The "Dividend Protection Plan" means the method of determining whether and how much a tentatively developed scale of dividends to be declared should be increased so that cumulative Declared Dividends are large enough in relation to cumulative Final Target Dividends.

5.4.4. The "Dividend Scale of 2015" means the allocation formula for dividends applicable from February 1, 2015 through January 31, 2016, which was actually declared by the Board of Directors of the Company (as distinct from any hypothetical dividend scale). However, the Dividend Scale of 2015 ("2015 DS") shall also be hypothetically applied in later years to the business then in force, recognizing the policy statuses, face amounts, policy durations, and amounts of policy loan on such later business in force. The dividend scales of later years (whether actual or hypothetical) will similarly be defined to refer to applicable periods February 1 through the following January 31.

5.4.5. The "Target Dividend Scale" shall be the scale that would be determined by the Company following its current approach of reflecting experience factor adjustments to the mortality, interest and expense components of the dividend scale, but without subsidies either to offset negatives or to reach some minimum positive value, as further defined herein. Subject to the Applicable Exceptions, the design components of the Dividend Scale of 2015 and certain other aspects of it specified in Schedule 5 will be "frozen" for continued use in the future Target Dividend Scales. Any changes to the protection structure and mechanism including the determination of the Target Dividend Scale, the factors specified in Schedule 5, and the expense formula in Schedule 6 may be effected in accordance with the Applicable Exceptions. The Target Dividend Scale for a policy may be negative because no floors are imposed (that is, no subsidies added), as explained in Schedule 6.

5.4.6. The "Subsidized Target Dividend Scale" shall be the scale of hypothetical dividends equal to Target Dividends adjusted to add the subsidies that would have been added by the Dividend Scale of 2015. In particular, the amount of subsidy for a given policy is the difference between the Dividend Scale of 2015 with and without constraints to make a dividend either non-negative or some minimum positive value, applied to the current policy status, face amount, policy duration, and amount of policy loan in force.

5.4.7. The "Aggregate Amount of Declared Dividend Scale for a Year" or "DDS" shall be the sum of the individual Declared Dividends that would be applicable in that year (February 1 through January 31) if all the policies covered by the Dividend Protection Plan in force at the preceding September 30 remained in force to be credited their Declared Dividends.

5.4.8 The "Aggregate Amount of Target Dividend Scale for a Year" or "TDS" shall be the sum of the individual Target Dividends that would be applicable in that year (February 1 through January 31) if all the policies covered by the Dividend Protection Plan in force at the preceding September 30 remained in force to be credited (in concept) their Target Dividends.

5.4.9 The "Aggregate Amount of Subsidized Target Dividend Scale for a Year" or "STDS" shall be the sum of the individual Subsidized Target Dividends that would be applicable in that year (February 1 through January 31) if all the policies covered by the Dividend Protection Plan in force at the preceding September 30 remained in force to be credited (in concept) their Subsidized Target Dividends.

5.4.10 The "Aggregate Amount for a Year applying the Dividend Scale of 2015" or "2015DS" shall be the sum of the individual dividends that would be applicable in that year (February 1 through January 31) if the Dividend Scale of 2015 hypothetically still applied and if all the policies covered by the Dividend Protection Plan in force at the preceding September 30 remained in force to be credited (in concept) their 2015 Scale Dividends.

5.4.11. Accumulations of DDS, TDS, STDS and 2015DS shall start with the initial values of DDS, TDS, STDS and 2015DS at September 30, 2015 (that is, having zero before that date), and they shall increase with interest rates as follows. The actual average pre-tax rate of return in the Company's investment segment (or combined segments) representing permanent participating life insurance for the 12 months (October 1, 2015 to September 30, 2016) is used to increase DDS, TDS, STDS and 2015DS from September 30, 2015 to September 30, 2016. Similarly, the actual average pre-tax rate of return in the Company's investment segment (or combined segments) representing permanent participating life insurance for the 12 months (October 1, 2016 to September 30, 2017) is used to increase cumulative DDS, cumulative TDS, cumulative STDS and cumulative 2015DS from September 30, 2016 to September 30, 2017, and so forth. Cumulative DDS, Cumulative TDS, Cumulative STDS, and Cumulative 2015DS are respectively defined at any September 30 as the cumulative value at the prior September 30, plus interest, plus the new DDS, TDS, STDS or 2015DS.

5.4.12. At any September 30, Cumulative Final Target Dividend Scale in aggregate ("Cumulative FTDS") is defined as the minimum of Cumulative STDS and X, where X is the maximum of Cumulative TDS and Cumulative 2015DS.

5.4.13. Annually, starting in 2015, based on the business in force at September 30 of each year, the Company will determine the dividend scale to be declared for the following year such that the sum of the Cumulative DDS plus 10% of the current DDS (that is, an accumulation including 110% of the dividend scale to be declared for the following year), equals or exceeds the Cumulative FTDS. The Cumulative DDS comparison amount does not include the 110%

factor except with respect to the current DDS. If the Cumulative DDS comparison amount (including the 10% of DDS) would be less than the Cumulative FTDS, the Board of Directors of the Company must declare a larger dividend scale so that the test is satisfied.

5.4.14. With the exception of certain policies described in section 5.4.14.c. below, Target Dividends on base policies, on paid up addition riders and on paid up additions from dividends will be calculated in stages:

a. The first stage involves three components being calculated with respect to mortality, interest and expenses with the traditional formulas shown in Schedule 6. As shown there, current Company practice tracks experience on experience classes defined more broadly than just the permanent participating whole life products covered by this Dividend Protection Plan, which will continue, but at a minimum the future experience classes tracked will include at least the experience of any future policies that are the same or substantially similar to the Present Participating Policies that are covered by this Dividend Protection Plan.
   i. The Mortality component (described more fully in Schedule 6) is the product of {face amount minus reserve} times {valuation mortality rate minus actual mortality rate}, where "actual" mortality for older blocks is determined from a mortality study by valuation block over the period since 1995 of all products (whole life, term and universal life) with an equivalent underwriting basis. "Actual" mortality for business issued on the 2001 CSO is based on the mortality expectations at the time of pricing for the greater number of underwriting classes introduced at that time plus 5% of the underlying mortality table, but this practice is expected to change as the Company accumulates enough experience to produce credible mortality studies for these newer underwriting classes. Certain adjustments are described in Schedule 6, and in any case, the "actual" mortality rates used in the Target Dividend scale will be constrained to be not less than the YRT rates charged in certain reinsurance treaties as specified in Schedule 6.
   ii. The Interest component (described more fully in Schedule 6) is the product of {initial reserve} times {actual net interest rate earned minus valuation interest rate}, where actual net interest rate earned on the relevant block of segmented portfolios of assets (in the most recent October 1 to September 30 year) includes the ongoing Interest Maintenance Reserve emergence of capital gains and losses caused by interest rate movements and is net of investment expenses, normally expected default costs, and an amortization of extra-ordinary capital losses from credit events in excess of the provisions for normally expected defaults. The amount of amortization of the credit loss pool to be recognized in a year is described in Schedule 6, but the basis points charged against the Target Dividend scale in any one year will be the same as those charged against the actual Declared Dividend scale that year, subject to a cumulative upper limit of charges against the Target Dividend scale described in Schedule 6. Certain adjustments are described in Schedule 6.
   iii. The Expense component of the Target Dividend scale is the expense component of the dividend scale of 2014 adjusted for inflation in expenses from the level experienced in 2012, as fully described in Schedule 6. Paid Up Addition riders are treated as standalone policies for most purposes. In lieu of any expense component applied to the

dividends on dividend additions, there is a contribution to surplus in the form of an interest adjustment.

b. The second stage of setting the Target Dividend Scale applies a fourth component used by the Company for many policies.

   i. The factors of the design component included in the Target Dividend are specified in Schedule 5 and will not change except as provided in the Applicable Exceptions.
   ii. Unlike the features of the Declared (actual) Dividend scale, the Target Dividend scale will have no pegging of a floor or a ceiling, and the Target Dividend scale may include cases of negative dividends.

c. Certain policy forms specified in Schedule 4 (the “straight percentage dividends group of plans”) will have Target Dividends determined by simple across the board adjustments to the prior Target Dividend scale to reflect the average new increase or decrease among Subsidized Target Dividends from changes in experience on other policies covered by the Dividend Protection Plan omitting the policies described in this section 5.4.14.c.

d. If the actual Declared Dividend in policy year one is zero (overriding any dividend calculated from the underlying components), then the Target Dividend in policy year one shall also be zero.

e. The last stage applies direct recognition of policy loan activity on individual policies. To the extent that an individual policy has policy loans in force, the individual policy’s Target Dividend (as well as its hypothetical dividend according to the Dividend Scale of 2015 used in sections 5.4.10.-5.4.13.) is reduced by the same number of basis points as in the Declared Dividend.

5.4.15. The Target Dividend Scale is a concept concerned with aggregate levels, not the individual allocation, of distributable surplus. The Company will determine the individual allocation of Declared Dividends without any necessary relationship to individual values for any of the following: Target Dividends, Subsidized Target Dividends, Final Target Dividends and the earlier Dividend Scale of 2015.

Section 6.0 *Procedure to obtain approval for changes to Dividend Protection Plan*. Prior to the date that is the later of (x) the seventh anniversary of the Effective Time and (y) the day after the last day the Advisory Board is in existence, to obtain approval for a change regarding Group A Policies, Group B Policies or Group C Policies to a level that is less favorable to the Present Participating Policyholders who own such policies than that in effect as of the date hereof, or to obtain approval for a change to the procedures and factors for Group D Policies described in this Dividend Protection Plan that would reduce the amount of dividends credited or paid with respect to the Group D policies, the Company shall (i) seek and obtain any approvals required by applicable Law and (ii) request and wait until it has obtained prior approval of the Advisory Board. On and after the date that is the later of (x) the seventh anniversary of the Effective Time and (y) the day after the last day the Advisory Board is in existence, this Dividend Protection Plan may only be changed with the consent of the Domiciliary Regulator.

Section 6.1 *Changes to Domiciliary Regulator*. Any change of MTLIC's jurisdiction of domicile from the State of Illinois shall either (i) be effected pursuant to a transaction approved by the Director of the Illinois Department of Insurance or (ii) otherwise be approved by the Director of the Illinois Department of Insurance.

Section 7.0 *Periodic Review*. The Board of Directors of the Company will obtain a report every three years from an independent actuary regarding the Company's compliance with the requirements of this Dividend Protection Plan. The report will be provided to the Applicable Board. The actuary from whom the report is obtained must be (i) a member in good standing of the American Academy of Actuaries; (ii) qualified under the American Academy of Actuaries Qualification Standards to issue such a report; and (iii) a person who is not an employee of PALIG or any of its Affiliates nor has been an employee of such companies at any time since 2013.

Section 8.01 *Definitions*. As used herein, the following terms have the following meanings:

"Applicable Board" means (i) from the Effective Time until the seventh anniversary of the Effective Time or such longer time as the Advisory Board remains in existence, the Advisory Board and (ii) from and after the seventh anniversary of the Effective Time or such later date, the Board of Directors of the Company.

"Applicable Exceptions" means the terms of Section 5.2 and Section 6.0 of this Dividend Protection Plan, as applicable.

"Domiciliary Regulator" means the Governmental Entity charged with the supervision of insurance companies in MTLIC's jurisdiction of domicile.

Schedules

Schedule 1

Group A Policies are Present Participating Policies that are term life insurance policies or deferred annuity policies with a current non-zero dividend scale on any of the following product codes: 463, 470, 473, 560, 573-575, 584, 670, 671, 674, 676

Schedule 2

Group B Policies are Present Participating Policies that are Single Premium Life for Supplemental Security Recipients policies with a current non-zero termination dividend scale on the following product code: 600WI

Schedule 3

Group C Policies are Present Participating Policies that are Millennium Crown Term to 99 policies with a current nonguaranteed premium scale below the maximum on the following product code: 764

Schedule 4

Group D Policies are Present Participating Policies that are permanent participating life insurance policies on any of the product codes identified as Protection Group D on Annex A attached hereto. These include not only premium paying but also Fully Paid Up, Reduced Paid Up and Paid Up Additions.

The "straight percentage dividends group of plans" within Group D are those identified with a "Y" in the last column of Annex A attached hereto. The "direct development group of plans" within Group D are all other plan codes in Group D, which are identified with an "N" in the last column of Annex A attached hereto.

Schedule 5 To help understanding we use color coding. Terms in **black**, such as Curr Mort Table Rate, represent automatically fixed values such as an external mortality table or plan parameters. Terms in **red,** such as Curr Mort Multiplier or Curr Net Int, represent experience factors to be updated annually (although average size may be updated less often at the Company option). Terms in **green**, such as Mort ROE Factor, represent factors fixed by this Dividend Protection Plan, subject to change as provided in this Dividend Protection Plan. Terms in **blue**, such as Curr Expense (per Pol), represent expense factors fixed by formula in this Schedule 6.

Subject to the Applicable Exceptions, the following aspects of the Dividend Scale of 2015 will be frozen in the calculations of Target Dividends unless the Company obtains approval to make a change in Target Dividends as provided in section 6.0 of this Dividend Protection Plan. As specified in this Dividend Protection Plan, the Company does not need to obtain any approval to make changes in Declared Dividends.

1. The Mortality component of the Target Dividend Scale shall be calculated using the additional factor Mort ROE Factor on Curr Mort Table Rate recorded in the database "2014[1] DIV SCALE Information.accdb" [field "Mort ROE Factor" in the "2014 DIVIDENDS" table]. This factor represents certain approaches taken by the Company to recognize taxes or required surplus for certain plans. (Not frozen is the Curr Mort Multiplier factor described in Schedule 6.)
2. The Interest component of the Target Dividend Scale shall be calculated using the additional factors Asset Factor, Current Int ROE Factor, and Int Rate Load recorded in the database "2014 DIV SCALE Information.accdb" [fields "Asset Factor", "Curr Int ROE Factor" and "Int Rate Load" in the "2014 DIVIDENDS" table]. These factors represent certain approaches taken by the Company to recognize taxes, required surplus or certain

[1] The Company kept the 2015 dividend scale the same as the 2014 dividend scale. The 2015 dividend scale was not re-generated through the application of the various experience, design and other factors, since that had already been done for the 2014 scale. The design and related factors being "frozen" under this Dividend Protection Plan did not vary between the 2014 and 2015 dividend scales. The 2014 dividend database therefore serves as an appropriate reference for the factors that are being frozen.

product deficits. While the first two factors are expected to remain unchanged unless there were material changes in tax law or insurance regulation, there is a somewhat greater chance of changes to the Int Rate Load factors to maintain current profit standards if there were changes in the types of experience not categorized as mortality, interest or expense (an example being persistency experience). (Not frozen is the Curr Net Int factor described in Schedule 6 as the net of Gross Portfolio Rate - Default Charge - Investment Expense.)

3. The Expense component of the Target Dividend Scale shall be calculated using the following value and the formulas in Schedule 6:
   Pricing Expense (Per Pol) recorded in the database "2014 DIV SCALE Information.accdb" [field "Pricing Expense (Per Pol)" in the "2014 DIVIDENDS" table].
   While not frozen, the term Curr Expense (Per Pol) is calculated as specified in Schedule 6, and the term Ave Units recorded in the database "2014 DIV SCALE Information.accdb" [field "Ave Units " in the "2014 DIVIDENDS" table] will be updated when and if the average size values for all products are updated.
4. The fourth component of the Target Dividend Scale shall be calculated using the factors recorded in the database "2014 DIV SCALE Information.accdb" [field "DESIGN COMPONENT" value in the "2014 DIVIDENDS" table linked through the DC Table field in the two tables "Div Table and Plan Features 2014" and "Inputs_ Design Component Tables"]. These values represent certain design choices made for particular products, whether a charge for a contribution to surplus or other adjustments to establish patterns of dividends that produce reasonable contributions to surplus. In the case of the Covenant II product, these also reflect a loading adjustment equal to 10% of the 2008 VBT on the net amount at risk for premium paying policies in preferred mortality underwriting classes PC and PS.

Schedule 6.

This schedule describes the process to update Target Dividend Scales for emerging experience with respect to mortality, interest and inflation, introducing some limitations that apply to Target Dividends for Group D Policies.

1. The basic Target Dividend formula for the "straight percentage dividends group of plans" is

TARGETDIV = (TARGETDIV Prior Scale at Current Duration)*(FACTOR for Straight Percentage),
where the "FACTOR for Straight Percentage" is a uniform percentage representing the average change in Subsidized Target Dividends for the current year from updating experience for plans in the direct development group of Group D plans.

2. The basic Target Dividend formula for the "direct development group of plans" is

TARGETDIV = (MORT COMP + INT COMP + EXP COMP + DESIGN COMP)*(FACTOR = 100% except in case of Excaliber), but equal to zero in first policy year
Where
MORT COMP = (DB(t) - RSV(t)) * (Guar Mort Rate - Curr Mort Table Rate*(Curr Mort

Multiplier + Mort ROE Factor + COVENANT II Design Comp))

INT COMP = (RSV(t-1) + NP(t)) * {(Curr Net Int)*Asset Factor - Current Int ROE Factor - Int Rate Load - Val Rate}

(where Curr Net Int = Gross Portfolio Rate - Default Charge - Investment Expense)

EXP COMP = (Pricing Expense (per Pol) – Curr Expense (per Pol))/Ave Units

DESIGN COMP = DESIGN COMPONENT

<u>Mortality</u>

The mortality component MORT COMP uses a recent table for Curr Mort Table Rate that changes rarely, and is the "Expected" table in the Actual-to-Expected mortality ratio determined as the result of the most recent mortality study. The mortality study regularly updates the Curr Mort Multiplier. Updated less frequently are special cases of the Curr Mort Multiplier for juvenile ages and attained ages 100 and up. For the 2001 CSO plans, which have not yet accumulated credible mortality experience, the Curr Mort Multiplier is currently using the sum of 5% times the Curr Mort Table Rate plus the original pricing mortality expectation as a percentage of Curr Mort Table Rate.

As stated in Schedule 5, the values in Mort ROE Factor + COVENANT II Design Comp are frozen by this Dividend Protection Plan.

The mortality experience reflected in Target Dividends will continue to be pooled on the basis of similar underwriting standards, and reinsurance will continue to be largely ignored except to the extent YRT reinsurance rates act as a floor on how far (i.e., how low) experience mortality can improve. The Company's current YRT reinsurance premium floors are set forth on Annex B.

<u>Interest</u>

The investment component INT COMP uses actual investment returns for Gross Portfolio Rate - Investment Expense (from the most recent October through September, including recognition of the operation of the IMR (that is, the Interest Maintenance Reserve which capitalizes and amortizes certain capital gains and losses after capital gains tax in the financial report to insurance regulators)).

The investment experience reflected in Target Dividends will continue to be pooled among investment segments supporting life insurance products with experience-based dividend scales, whether annual premium or single premium products, and whether Group D or policies issued after the Effective Date (but before any date on which the Company opens a new investment segment for policies issued thereafter). The investment experience in Gross Portfolio Rate - Investment Expense shall reflect actual investment returns net of investment expenses, as achieved by PALIG in the relevant Company investment segments. Currently one investment segment supports traditional participating policies issued before 1983, and two other investment segments (corresponding to periodic premium and single premium products) support more recently issued traditional participating policies, but this structure may change in accordance with section 6.0.

The statement of investment policy attached hereto as Annex C sets forth a guideline to avoid aggregate investment strategies that are either too conservative or too aggressive. Deviating beyond the limits of, or changing, the investment policy statement would need approval of the Advisory Board (and/or the Board of Directors of the Company).

Besides actual investment returns net of investment expenses the investment experience will reflect default costs over the long run. The Default Charge is a combination of (a) a good faith estimate for the expected cost of defaults, given the credit ratings on the invested assets currently held, and (b) an amortization of a default pool defined to continue current Company practice ("Default Pool"). The Default Pool begins with its current balance of $17,362,476 as of September 30, 2014 and accumulates without interest the pre-tax difference, positive or negative, of actual credit losses minus the expected cost of default charges on all participating permanent life insurance policies, whether Group D policies or not. For the avoidance of doubt, this balance includes all the default charges in the 2015 Scale but does not reflect any actual defaults occurring after September 30, 2014. The Default Charge against Target Dividends uses the same number of basis points as used by the Company in the Declared Dividend Scale, except that default costs charged against the Target Dividend are limited in two ways: (i) the amortization of the Default Pool in (b) cannot exceed 33 basis points (0.0033% annually) in any year, and (ii) the amortization of the Default Pool (whether changed to Group D policies or other participating permanent life insurance policies) cannot exceed the amount in the Default Pool, so that the Default Pool would not become negative because of the charge in (b). Nonetheless, the Default Pool could become negative because the charges for the expected cost of defaults in (a) could exceed actual default costs. In such situation, default charges in (a) will be modified over the following few years with the goal of having a smooth pattern of default charges that keeps the Default Pool balance no more negative than -0.6% of the invested assets in the investment segments supporting the participating permanent life insurance policies.
The amount of amortization of the Default Pool to be recognized in a year in the Declared Dividend Scale (and therefore in the Target Dividend Scale, subject to the limits above) would be subject to management discretion.

The adjustment factors *Asset Factor - Current Int ROE Factor - Int Rate Load reflect certain historical analyses and are not changed frequently. This Dividend Protection Plan freezes both the Asset Factor and the Current Int ROE Factor. While the Int Rate Load is also frozen, as stated in Schedule H-5, it may be changed in response to changes in profitability not addressed directly by the Mortality, Interest or Expense Components, such as when actual persistency differs greatly from expected persistency.

Expenses

Target Dividends shall reflect a formula version of expenses (other than investment expenses), which includes payroll taxes associated with salaries. The expense rate reflected in the Target Dividend Scale will be the 2012 expense rate reflected in the 2014 dividend scale ("Curr Expense (per Pol)" recorded in the database "2014 DIV SCALE Information.accdb" [field "Curr Expense (per Pol)" in the "2014 DIVIDENDS" table].) adjusted for inflation since August 2012 to a comparable year that is two years before the year of the next Target Dividend scale using the following formula.
Curr Expense (per Pol) as of Year 2012+N = (Curr Expense (per Pol) as of 2012) * CPI Ratio N,

Where CPI Ratio N is the ratio between two points in time of the Consumer Price Index for All Urban Consumers (CPI-U), US city average for all expenditure items, dividing CPI-U for August, 2012+N by CPI-U for August, 2012. The CPI-U for August, 2012 was 230.379 (where the 1982-84 average value was 100), the CPI-U for August, 2013 was 233.877, and the CPI-U for August, 2014 was 237.852. Thus, the Target Dividend scale for 2016 will use a CPI Ratio 2 of 237.852/230.379 = 103.244% times the Curr Expense (per Pol) as of 2012 used in the 2014 dividend scale recorded in the database "2014 DIV SCALE Information.accdb" [field "Curr Expense (per Pol)" in the "2014 DIVIDENDS" table]

The Expense Component of the Target Dividend scale uses the Pricing Expense (per Pol) used in the Dividend Scale of 2014, which as stated in Schedule 5, is frozen by this Dividend Protection Plan. The term Ave Units recorded in the database "2014 DIV SCALE Information.accdb" [field "Ave Units " in the "2014 DIVIDENDS" table] will remain unchanged until the Company decides to update it for all plans.

Design Components

As stated in Schedule 5, all of the Design Components (but not the constraints) of the 2014 Dividend Scale are frozen, including the COVENANT II Design Comp.

ANNEX A

Plan List by Dividend Protection Category

See attached.

Schedule 4 Annex

Plan List by Dividend Protection Category

Protection Groupings

A	See Schedule 1 (Term or Deferred Annuities -- with a Non-Zero Dividend Rate)
B	See Schedule 2 (600WI - SPL product)
C	See Schedule 3 (Millennium Crown/Term to 99)
D	See Schedule 4 (Participating Life Plans with a non-zero dividend scale, not specified in Schedules 1, 2, or 3)
E	Other (no reasonable non-zero dividend expectation)

Plan	Short Name	Coverage Description	Protection Grouping	Straight % Plan?
017	SPE85 22	Single Premium Endowment at 85	Group D	N
039	20E85 16	20 Payment Endowment at 85	Group D	N
042	10E85 16	10 Payment Endowment at 85	Group D	N
053	OL 19	Ordinary Life	Group D	N
098	ALTMAT16	Alternative Maturity 3.5%	Group D	Y
100	WL 35	Whole Life	Group D	N
101	L85 35	Life Paid Up at 85	Group D	N
102	L65 35	Life Paid Up at 65	Group D	N
103	10L 35	10 Payment Life	Group D	N
104	15L 35	15 Payment Life	Group D	N
105	20L 35	20 Payment Life	Group D	N
106	30L 35	30 Payment Life	Group D	N
116	SPL 35	Single Premium Life	Group D	N
137	20LY 39	20 Payment Life New York	Group D	N
181	OL 35	Ordinary Life	Group D	N
198	ALTMAT35	Alternative Maturity 3%	Group D	Y
200	OL 47	Ordinary Life	Group D	N
201	L85 47	Life Paid Up at 85	Group D	N
202	L65 47	Life Paid Up at 65	Group D	N
203	10L 47	10 Payment Life	Group D	N
204	15L 47	15 Payment Life	Group D	N
205	20L 47	20 Payment Life	Group D	N
206	30L 47	30 Payment Life	Group D	N
207	L95 56	Estate Builder	Group D	N
210	DP 50	Double Protection to Age 65	Group D	Y
211	JEB 55	Juvenile Estate Builder	Group D	Y
212	MP 55	Mortgage Protection	Group D	Y
213	FP 57	Family Plan	Group D	Y
216	SPL 47	Single Premium Life	Group D	N
224	E85 48	Endowment at 85	Group D	N
236	JEBY 55	Juvenile Estate Builder - New York	Group D	Y
237	20E65Y48	20 Pay Endowment at 65 - New York	Group D	N
239	E65Y 50	Endowment at 65 - New York	Group D	N
243	20E65 47	20 Pay Endowment at 65	Group D	N
248	R65M 48	Retirement Income Endowment at 65 M	Group D	N
252	R60F 50	Retirement Income Endowment at 60 F	Group D	N
253	R65F 50	Retirement Income Endowment at 65 F	Group D	N
260	APRA 47	Annual Premium Retirement Annuity 2%	Group E	n/a
298	ALTMAT47	Alternative Maturity 2.5%	Group D	Y
300	OL 48	Ordinary Life	Group D	N
301	L85 48	Life Paid Up at 85	Group D	N
308	OLM 60	Ordinary Life M	Group D	N
309	OLF 60	Ordinary Life F	Group D	N
310	DP 60	Double Protection to Age 65	Group D	Y
348	R65M 60	Endowment Income at 65 M	Group D	N
351	R55F 60	Endowment Income at 55 F	Group D	N
352	R60F 60	Endowment Income at 60 F	Group D	N
353	R65F 60	Endowment Income at 65 F	Group D	N
400	SPL 64	Single Premium Life	Group D	N
402	10L 64	10 Payment Life	Group D	N
403	15L 64	15 Payment Life	Group D	N
404	20L 64	20 Payment Life	Group D	N
406	30L 64	30 Payment Life	Group D	N
409	L65 64	Life Paid Up At 65	Group D	N
410	L75 64	Life Paid Up At 75	Group D	N
412	L95 70	Life Paid Up At 95	Group D	N
414	OL 64	Ordinary Life	Group D	N
415	EP 64	Executive Protector	Group D	Y
416	JEB 64	Juvenile Estate Builder	Group D	Y
417	HP 64	Home Protector	Group D	Y
418	LC 72	Life Cycle	Group D	Y
436	E65 64	Endowment at 65	Group D	N
440	20E65 64	20 Pay Endowment at 65	Group D	N
444	SPE65 64	Single Premium Endowment at 65	Group D	N
445	R62M 64	Retirement Income Endowment at 62 M	Group D	N
446	R65M 64	Retirement Income Endowment at 65 M	Group D	N
447	R70M 64	Retirement Income Endowment at 70 M	Group D	N
448	R62F 64	Retirement Income Endowment at 62 F	Group D	N
449	R65F 64	Retirement Income Endowment at 65 F	Group D	N
459	OLPS 67	Ordinary Life, PT, SNU	Group D	N
460	APRA 64	Annual Premium Retirement Annuity 2.75%	Group E	n/a
463	SPRA 64	Single Premium Retirement Annuity 2.75%	Group A	n/a
470	5RT 67	5 Year Renewable Term	Group A	n/a

473	1T 77	Annual Renewable Term	Group A	n/a
490	OLP 64	Ordinary Life, PT	Group D	N
491	R65MP 64	Retirement Income Endowment at 65 M, PT	Group D	N
492	R70MP 67	Retirement Income Endowment at 70 M, PT	Group D	N
493	R65FP 64	Retirement Income Endowment at 65 F, PT	Group D	N
494	R70FP 67	Retirement Income Endowment at 70 F, PT	Group D	N
497	FPRAP 77	Flexible Premium Retirement Annuity 3.5%, PT	Group E	n/a
498	ALTMAT64	Alternative Maturity 2.5%	Group D	Y
499	APRAP 64	Annual Premium Retirement Annuity 2.75%, PT	Group E	n/a
503	20L 82	20 Pay Life	Group D	N
504	20L 78	20 Pay Life	Group D	N
505	20L 81	20 Pay Life	Group D	N
506	L65 82	Life Paid Up at 65	Group D	N
507	L65+ 82	Life Paid Up at 65 Plus	Group D	N
508	L65 81	Life Paid Up at 65	Group D	N
509	L65 78	Life Paid Up at 65	Group D	N
510	GP8 80	Graded Premium Life	Group D	N
511	GP8 78	Graded Premium Life	Group D	N
512	L90 78	Life Paid Up at 90	Group D	N
514	OL 78	Ordinary Life	Group D	N
515	L85 78	Life Paid Up at 85	Group D	N
516	JEB 78	Juvenile Estate Builder	Group D	Y
517	WL 80	Whole Life	Group D	N
518	WL 83	Whole Life	Group D	N
520	E65 78	Endowment at 65	Group D	N
545	R65M 78	Endowment Income at 65 M	Group D	N
546	R65F 78	Endowment Income at 65 F	Group D	N
550	OLS 78	Ordinary Life, PT, SNU	Group D	N
555	WLS 80	Whole Life, PT, SNU	Group D	N
558	WLP 83	Whole Life, PT, SNU	Group D	N
560	APRA 78	Annual Premium Retirement Annuity	Group A	n/a
561	FPRA 82	Flex Prem Retirement Annuity, 1 Yr Int Guar	Group E	n/a
573	1RT 78	Annual Renewable Term	Group A	n/a
574	1RT 80	Annual Renewable Term	Group A	n/a
575	5RT 78	Five Year Renewable Term	Group A	n/a
584	30DT 78	30 Year Decreasing Term	Group A	n/a
590	OLP 78	Ordinary Life, PT	Group D	N
591	R65MP 78	Endowment Income at 65 M, PT	Group D	N
592	R70MP 78	Endowment Income at 70 M, PT	Group D	N
593	R65FP 78	Endowment Income at 65 F, PT	Group D	N
594	R70FP 78	Endowment Income at 70 F, PT	Group D	N
595	WLP 80	Whole Life, PT	Group D	N
596	FPRAE 82	Flex Prem Ret Ann P Employee, 1 Yr Int Guar	Group E	n/a
597	FPRAP 82	Flex Prem Ret Ann P, 1 Yr Int Guar	Group E	n/a
598	ALTMAT78	Alternate Maturity	Group D	Y
600	SPL 84	Single Premium Life (Premium One)	Group D	N
602	BLP 98	Bank Life Plus, M	Group D	N
603	BLPSR 98	Bank Life Plus Sr., M	Group D	N
604	L90B 95	EconoLife-B M (Depositors Plus)	Group D	N
605	EOL 84	EconoProtector M	Group D	Y
606	L90 84	EconoLife M	Group D	N
607	L85 85	Life Paid Up at 85 M	Group D	N
608	L90U 88	EconoLife Unisex (modified)	Group D	N
609	EOLU 88	EconoProtector Unisex (modified)	Group E	n/a
610	GPL 84	EconoGrade M	Group D	N
611	GPLU 88	EconoGrade Unisex (modified)	Group D	N
612	GPLU 90	EconoGrade Unisex	Group D	N
614	L90U 90	EconoLife Unisex & 412(I)	Group D	N
615	EOLU 90	EconoProtector Unisex	Group D	Y
616	EL 90	ValueLife M	Group D	Y
617	ELU 90	ValueLife Unisex	Group D	Y
618	E95 91	Capital Life M	Group D	N
619	E95U 91	Capital Life Unisex	Group D	N
620	UL 86	Universal Life M, $50K-$249K - Triple Crown I	Group E	n/a
621	ULD 86	Universal Life M, $50K-$249K, MID - Triple Crown I	Group E	n/a
622	SPUL 86	Single Premium Universal Life F	Group E	n/a
623	SPUL 94	Single Premium Universal Life M	Group E	n/a
624	UL 87	Universal Life M, <$50K - Triple Crown I	Group E	n/a
625	ULD 87	Universal Life M, <$50K, MID - Triple Crown I	Group E	n/a
626	UL+ 87	Universal Life M, $250K+ - Triple Crown I	Group E	n/a
627	ULD+ 87	Universal Life M, $250K+, MID - Triple Crown I	Group E	n/a
628	ULU- 88	Universal Life Unisex, <$50K - Triple Crown I	Group E	n/a
629	ULUD- 88	Universal Life Unisex, <$50K, MID - Triple Crown I	Group E	n/a
630	ULU 88	Universal Life Unisex, $50K-$249K - Triple Crown I	Group E	n/a
631	ULUD 88	Universal Life Unisex, $50K-$249K, MID - Triple Crown I	Group E	n/a
632	ULU+ 88	Universal Life Unisex, $250K+ - Triple Crown I	Group E	n/a
633	ULUD+ 88	Universal Life Unisex, $250K+, MID - Triple Crown I	Group E	n/a
634	CMW 95	Capital Max I Waiver W/D Charge, Q & NQ	Group E	n/a
635	SPRA 89	Capital+Plus I, Q & NQ	Group E	n/a
636	SPRAU 89	Capital+Plus I, Unisex, Q & NQ	Group E	n/a
639	SRAU 89	Response II, Unisex, NQ	Group E	n/a
640	SRAUP 89	Response II, Unisex, Q	Group E	n/a
641	DA 90	Capital Max, Q & NQ	Group E	n/a
642	FRAU 89	Response I, Unisex, NQ	Group E	n/a
643	FRAUP 89	Response I, Unisex, Q	Group E	n/a
644	SRA 89	Response II, NQ	Group E	n/a
645	SRAP 89	Response II, Q	Group E	n/a

646	FRA 89	Response I, NQ	Group E	n/a
647	FRAP 89	Response I, Q	Group E	n/a
648	DAU 90	Capital Max, Unisex, Q & NQ	Group E	n/a
649	SRAU 88	OneFlex II, Unisex, NQ	Group E	n/a
650	SRAUP 88	OneFlex II, Unisex, Q	Group E	n/a
651	FPRAU 88	Flex Prem Ret Ann, Unisex NQ	Group E	n/a
652	FRAU 88	OneFlex I, Unisex, 1 Yr Int Guar	Group E	n/a
653	FRAUP 88	OneFlex I, Unisex, PT, 1 Yr Int Guar	Group E	n/a
654	SRA 88	OneFlex II, 1 Yr Int Guar	Group E	n/a
655	SRAP 88	OneFlex II, PT, 1 Yr Int Guar	Group E	n/a
656	FRA 88	OneFlex I, 1 Yr Int Guar	Group E	n/a
657	FRAP 88	OneFlex I, PT, 1 Yr Int Guar	Group E	n/a
658	FPRAP 87	Flex Prem Ret Annuity, PT (Kantis, Reflex II)	Group E	n/a
659	SPRA 86	Single Prem Retirement Annuity,	Group E	n/a
660	FPRA 84	Flex Prem Retirement Annuity NQ	Group E	n/a
661	FPRAP 84	Flex Prem Retirement Ann Q	Group E	n/a
662	SRAP 84	Single Prem Retirement Ann,PT,1 Yr Int Guar	Group E	n/a
663	SPRAP 84	Single Prem Retirement Ann, PT	Group E	n/a
664	FPRAU 84	Flex Prem Ret Ann, Unisex Q	Group E	n/a
665	FPRAUE84	Flex Prem Ret Ann,Unisex, Employee	Group E	n/a
666	FRA 84	Flex Prem Retirement Annuity, 1 Yr Int Guar	Group E	n/a
667	FRAP 84	Flex Prem Retirement Annuity,PT,1 Yr Int Guar	Group E	n/a
668	FRAU 84	Flex Prem Ret Ann, Unisex, 1 Yr Int Guar	Group E	n/a
669	FRAUE 84	Flex Prem Ret Ann,Uni,Employee,1 Yr Int Guar	Group E	n/a
670	1RT 84	Annual Renewable Term M	Group A	n/a
671	1RT 88	Annual Renewable Term M	Group A	n/a
674	1RTU 88	Annual Renewable Term, Unisex	Group A	n/a
676	1RTU 90	Annual Renewable Term, Unisex	Group A	n/a
679	FPRAUP91	F P R Ann, PT (Kantis, Reflex II) Unisex	Group E	n/a
680	FLXW 95	Crown Series Flex Waiver W/D Charge, NQ	Group E	n/a
681	FLXPW 95	Crown Series Flex Waiver W/D Charge, Q	Group E	n/a
682	RFX2W 95	Reflex II Waiver W/D Charge, NQ	Group E	n/a
683	RFX2PW95	Reflex II Waiver W/D Charge, Q	Group E	n/a
684	FPRA 91	Flex Prem Ret Annuity NQ (Kantis, Reflex II)	Group E	n/a
685	FPRAU 91	F P R Ann NQ (Kantis, Reflex II), Unisex	Group E	n/a
686	ULG *91	Universal Life TCI Guaranteed Issue M, NS	Group E	n/a
687	ULG 91	Universal Life TCI Guaranteed Issue M for North Carolina Colleges	Group E	n/a
688	ULDG *91	Universal Life TCI Guaranteed Issue M, NS for North Carolina Colleges	Group E	n/a
689	ULDG 91	Universal Life TCI Guaranteed Issue M	Group E	n/a
690	UL 91	Crown Plus Universal Life M	Group E	n/a
691	ULD 91	Crown Plus Universal Life M	Group E	n/a
692	ULU 91	Crown Plus Universal Life Unisex	Group E	n/a
693	ULUD 91	Crown Plus Universal Life Unisex	Group E	n/a
694	ACC1V 93	Accumulator 1 Annuity Q & NQ Var Form	Group E	n/a
695	ACC1VU93	Accumulator 1 Annuity Unisex Q & NQ Var Form	Group E	n/a
696	ACC2V 93	Accumulator 2 Annuity Q & NQ Var Form	Group E	n/a
697	ACC2VU93	Accumulator 2 Annuity Unisex Q & NQ Var Form	Group E	n/a
698	ACC1F 93	Accumulator 1 Annuity Q & NQ Fxd Form	Group E	n/a
699	ACC2F 93	Accumulator 2 Annuity Q & NQ Fxd Form	Group E	n/a
701	FLX2F 93	Crown Series Flex Annuity II Q & NQ Fxd Form	Group E	n/a
702	RFX2F 93	Reflex III Annuity Q & NQ Fxd Form	Group E	n/a
703	CM2F 93	Capital Max II Annuity Q & NQ Fxd Form	Group E	n/a
704	FLX2V 93	Crown Series Flex Annuity II Q & NQ Var Form	Group E	n/a
705	FLX2U 93	Crown Series Flex Ann II Unisx Q & NQ Var Form	Group E	n/a
706	RFX3V 93	Reflex III Annuity Q & NQ Var Form	Group E	n/a
707	RFX3U 93	Reflex III Annuity Unisex Q & NQ Var Form	Group E	n/a
708	CM2V 93	Capital Max II Annuity Q & NQ Var Form	Group E	n/a
709	CM2U 93	Capital Max II Ann Unisex Q & NQ Var Form	Group E	n/a
710	ML 93	MaxLife Male	Group D	N
711	MLU 93	MaxLife Unisex	Group D	N
712	VL2 94	ValueLife II Male	Group D	Y
713	VL2U 94	ValueLife II Unisex & 412(I)	Group D	Y
714	FLX2VW95	CrownSeriesFlexIIWaiverW/DCharge,Q&NQ,Var Frm	Group E	n/a
716	FLX2FW95	CrownSeriesFlexIIWaiverW/DCharge,Q&NQ,Fxd Frm	Group E	n/a
717	RFX3VW95	Reflex III Wiaver W/D Charge, Q & NQ Var Frm	Group E	n/a
719	RFX3FW95	Reflex III Waiver W/D Charge, Q & NQ Fxd Frm	Group E	n/a
720	CM2VW 95	Capital Max II Waiver W/D Charge, Q&NQ VarFrm	Group E	n/a
722	CM2FW 95	Capital Max II Waiver W/D Charge, Q&NQ FxdFrm	Group E	n/a
723	ACC3VW95	Accumulator III Waiver W/D Charge,Q&NQ,VarFrm	Group E	n/a
724	ACC4VW95	Accumulator IV Waiver W/D Charge,Q&NQ, VarFrm	Group E	n/a
725	ACC3U 95	Accumulator III Waiver Unisex, Q & NQ, VarFrm	Group E	n/a
726	ACC4U 95	Accumulator IV Waiver Unisex, Q & NQ, VarFrm	Group E	n/a
727	ACC1FW95	Accumulator I Waiver W/D Charge,Q&NQ, FxdFrm	Group E	n/a
728	ACC2FW95	Accumulator II Waiver W/D Charge,Q&NQ, FxdFrm	Group E	n/a
729	AC3TXW95	Accumulator III Waiver W/D Charge,Q&NQ,FxdFrm	Group E	n/a
730	AC4TXW95	Accumulator IV Waiver W/D Charge,Q&NQ, FxdFrm	Group E	n/a
731	ACC3V 95	Accumulator III, Q & NQ, VarFrm	Group E	n/a
732	ACC4V 95	Accumulator IV, Q & NQ, VarFrm	Group E	n/a
735	UL 95	Vanguard Universal Life Male	Group E	n/a
736	ULD 95	Vanguard Universal Life Male	Group E	n/a
737	ULU 95	Vanguard Universal Life Unisex	Group E	n/a
738	ULUD 95	Vanguard Universal Life Unisex	Group E	n/a
739	E95 95	Capital Life M	Group D	N
740	E95U 95	Capital Life U & 412(I)	Group D	N
741	10RT 96	Selec-Term 10 M	Group E	n/a
742	10RTU 96	Selec-Term 10 U	Group E	n/a
743	15RT 96	Selec-Term 15 M	Group E	n/a

744	15RTU 96	Selec-Term 15 U	Group E	n/a
745	20RT 96	Selec-Term 20 M	Group E	n/a
746	20RTU 96	Selec-Term 20 U	Group E	n/a
748	IFX2VW98	Integrity Flex 2, Flexible Form 748	Group E	n/a
749	IFX2FW98	Integrity Flex 2, Fixed Form 748-8	Group E	n/a
750	IFX2UW98	Integrity Flex 2, Flexible Form 748, Unisex	Group E	n/a
751	IFX1VW98	Integrity Flex 1, Flexible Form 748	Group E	n/a
752	IFX1FW98	Integrity Flex 1, Fixed Form 748-5	Group E	n/a
753	IFX1UW98	Integrity Flex 1, Flexible Form 748, Unisex	Group E	n/a
754	ISP2UW98	Integrity Single Prem 2, Flexible Form 755, Unisex	Group E	n/a
755	ISP2VW98	Integrity Single Prem 2, Flexible Form 755	Group E	n/a
756	ISP2FW98	Integrity Single Prem 2, Fixed Form 755-9	Group E	n/a
757	ISP1VW98	Integrity Single Prem 1, Flexible Form 755	Group E	n/a
758	ISP1FW98	Integrity Single Prem 1, Fixed Form 755-5	Group E	n/a
759	ISP1UW98	Integrity Single Prem 1, Flexible Form 755, Unisex	Group E	n/a
760	10RT 98	Selec-Term 10 M	Group E	n/a
761	10RTU 98	Selec-Term 10 U	Group E	n/a
762	30RT 98	Select-Term 30 M	Group E	n/a
763	30RTU 98	Select-Term 30 U	Group E	n/a
764	T99 98	ART - Term to 99 M	Group C	n/a
766	UL 99	Vanguard-Select Universal Life Male	Group E	n/a
767	ULD 99	Vanguard-Select Universal Life Female	Group E	n/a
768	ULU 99	Vanguard-Select Universal Life Unisex	Group E	n/a
769	ULUD 99	Vanguard-Select Universal Life Unisex	Group E	n/a
771	DIG1 99	Dignity Won, Class I, $25,000, F	Group D	Y
772	DIG2 99	Dignity Won, Class II, $15,000, F	Group D	Y
773	DIG3 99	Dignity Won, Class III, $5,000, F	Group D	Y
777	PNS 00	Pre-Need, Single Premium Whole Life, Male	Group E	n/a
778	PN3 00	Pre-Need, 3 Pay Whole Life, Male	Group E	n/a
779	PN5 00	Pre-Need, 5 Pay Whole Life, Male	Group E	n/a
780	PN20 00	Pre-Need, 20 Pay Whole Life, Male	Group E	n/a
781	IFX1VW99	Integrity Flex 1, Flexible Form 748 FL	Group E	n/a
782	IFX2VW99	Integrity Flex 2, Flexible Form 748 FL	Group E	n/a
783	ISP1VW99	Integrity Single Prem 1, Flexible Form 755 FL	Group E	n/a
784	ISP2VW99	Integrity Single Prem 2, Flexible Form 755 FL	Group E	n/a
785	10RT 00	Selec-Term 10 M (XXX)	Group E	n/a
786	10RTU 00	Selec-Term 10 U (XXX)	Group E	n/a
787	15RT 00	Selec-Term 15 M (XXX)	Group E	n/a
788	15RTU 00	Selec-Term 15 U (XXX)	Group E	n/a
789	20RT 00	Selec-Term 20 M (XXX)	Group E	n/a
790	20RTU 00	Selec-Term 20 U (XXX)	Group E	n/a
792	FES 00	Final Expense Whole Life Standard (Old App), Male	Group E	n/a
793	FES 02	Final Expense Whole Life Standard (New App), Male	Group E	n/a
794	FEIZ 02	Final Expense Whole Life Preferred (IZZY), Male	Group E	n/a
795	COV 00	Covenant, M	Group D	N
796	COVU 00	Covenant Unisex & 412(I)	Group D	N
797	5TF 01	Easy Term Life - 5 Year, M	Group E	n/a
798	10TF 01	Easy Term Life - 10 Year, M	Group E	n/a
799	15TF 01	Easy Term Life - 15 Year , M	Group E	n/a
800	10T1 01	Selec-Term 10, Band 1	Group E	n/a
801	10T2 01	Selec-Term 10, Band 2	Group E	n/a
802	10T3 01	Selec-Term 10, Band 3	Group E	n/a
803	10T1U 01	Selec-Term 10 U, Band 1	Group E	n/a
804	10T2U 01	Selec-Term 10 U, Band 2	Group E	n/a
805	10T3U 01	Selec-Term 10 U, Band 3	Group E	n/a
806	15T1 01	Selec-Term 15, Band 1	Group E	n/a
807	15T2 01	Selec-Term 15, Band 2	Group E	n/a
808	15T3 01	Selec-Term 15, Band 3	Group E	n/a
809	15T1U 01	Selec-Term 15 U, Band 1	Group E	n/a
810	15T2U 01	Selec-Term 15 U, Band 2	Group E	n/a
811	15T3U 01	Selec-Term 15 U, Band 3	Group E	n/a
812	20T1 01	Selec-Term 20, Band 1	Group E	n/a
813	20T2 01	Selec-Term 20, Band 2	Group E	n/a
814	20T3 01	Selec-Term 20, Band 3	Group E	n/a
815	20T1U 01	Selec-Term 20 U, Band 1	Group E	n/a
816	20T2U 01	Selec-Term 20 U, Band 2	Group E	n/a
817	20T3U 01	Selec-Term 20 U, Band 3	Group E	n/a
832	VL2 01	ValueLife II Male	Group D	Y
833	VL2U 01	ValueLife II Unisex	Group D	Y
834	PATL 03	Patented Life Blue (form 618), M / F	Group D	N
835	PATLU 03	Patented Life Blue (form 618), Unisex	Group D	N
836	PATUL 03	Patented Life Gold (policy form 690), M / F	Group E	n/a
837	PATULU03	Patented Life Gold, Unisex (policy form 690)	Group E	n/a
838	IFX2VW03	Integrity Flex 2, Flexible Form 838	Group E	n/a
839	IFX2FW03	Integrity Flex 2, Fixed Form 838-8	Group E	n/a
840	IFX2UW03	Integrity Flex 2, Flexible Form 838U, Unisex	Group E	n/a
841	IFX1VW03	Integrity Flex 1, Flexible Form 838	Group E	n/a
842	IFX1FW03	Integrity Flex 1, Fixed Form 838-5	Group E	n/a
843	IFX1UW03	Integrity Flex 1, Flexible Form 838U, Unisex	Group E	n/a
844	PAT2 03	Patented Life Blue (form 844), M / F	Group E	n/a
845	PAT2U 03	Patented Life Blue (form 844U), Unisex	Group E	n/a
846	PATU2 03	Patented Life Gold - UL (policy form 846), M / F/	Group E	n/a
847	PATU2U03	Patented Life Gold - UL, Unisex (policy form 846U)	Group E	n/a
848	PAT2I 03	Patented Life Blue (412i), Unisex	Group E	n/a
854	10RT 03	Selec-Term 10, All bands, M & F	Group E	n/a
855	10RTU 03	Selec-Term 10, All bands, Unisex	Group E	n/a
856	15RT 03	Selec-Term 15, All bands, M & F	Group E	n/a

857	15RTU 03	Selec-Term 15, All bands, Unisex	Group E	n/a
858	20RT 03	Selec-Term 20, All bands, M & F	Group E	n/a
859	20RTU 03	Selec-Term 20, All bands, Unisex	Group E	n/a
860	30RT 03	Selec-Term 30, All bands, M & F	Group E	n/a
861	30RTU 03	Selec-Term 30, All bands, Unisex	Group E	n/a
862	10TX 03	SelecTerm 10 Exchange, M & F	Group E	n/a
863	10TXU 03	SelecTerm 10 Exchange, Unisex	Group E	n/a
864	ISP2VW03	Integrity Single Prem 2, Flexible Form 864	Group E	n/a
865	ISP2FW03	Integrity Single Prem 2, Fixed Form 864-9	Group E	n/a
866	ISP2UW03	Integrity Single Prem 2, Flexible Form 864U, Unisex	Group E	n/a
867	ISP1VW03	Integrity Single Prem 1, Flexible Form 864	Group E	n/a
868	ISP1FW03	Integrity Single Prem 1, Fixed Form 864-5	Group E	n/a
869	ISP1UW03	Integrity Single Prem 1, Flexible Form 864U, Unisex	Group E	n/a
870	IF1FVW03	Integrity Flex 1, Flexible Form 838 FL	Group E	n/a
871	IF2FVW03	Integrity Flex 2, Flexible Form 838 FL	Group E	n/a
872	IS1FVW03	Integrity Single Prem 1, Flexible Form 864 FL	Group E	n/a
873	IS2FVW03	Integrity Single Prem 2, Flexible Form 864 FL	Group E	n/a
874	IFX2IW03	Integrity Flex 2, Flexible Form 838U, Unisex, 412(I)	Group E	n/a
875	IF2IUW03	Integrity Flex 2, Fixed Form 838-8, 412(I)	Group E	n/a
876	IFX1IW03	Integrity Flex 1, Flexible Form 838U, Unisex, 412(I)	Group E	n/a
877	IF1IUW03	Integrity Flex 1, Fixed Form 838-5, 412(I)	Group E	n/a
886	15TX 04	SelecTerm 15 Exchange, M & F	Group E	n/a
887	15TXU 04	SelecTerm 15 Exchange, Unisex	Group E	n/a
888	20TX 04	SelecTerm 20 Exchange, M & F	Group E	n/a
889	20TXU 04	SelecTerm 20 Exchange, Unisex	Group E	n/a
890	LP65 04	Gold Crown 65 (Life Pd up at 65), M & F	Group D	N
891	LP65U 04	Gold Crown 65 (Life Pd up at 65), Unisex	Group D	N
892	LP65I 04	Gold Crown 65 (Life Pd up at 65), 412(I)	Group D	N
893	E95 05	Capital Life II, M / F	Group D	N
894	E95U 05	Capital Life II, Unisex	Group D	N
895	E95I 05	Capital Life II, 412(I)	Group D	N
898	ALTMAT12	Alternate Maturity for 1980 CSO products	Group D	Y
900	IFX1VW05	Integrity Plus I, Flexible Form 900	Group E	n/a
901	IFX1UW05	Integrity Plus I, Flexible Form 900U, Unisex	Group E	n/a
902	IFX1IW05	Integrity Plus I, Flexible Form 900U, Unisex, 4I2(I)	Group E	n/a
903	IFX1FW05	Integrity Plus I, Fixed Form 900-5	Group E	n/a
904	IF1IUW05	Integrity Plus I, Fixed Form 900-5U, 4I2(I)	Group E	n/a
905	IFX2VW05	Integrity Plus II, Flexible Form 900	Group E	n/a
906	IFX2UW05	Integrity Plus II, Flexible Form 900U, Unisex	Group E	n/a
907	IFX2IW05	Integrity Plus II, Flexible Form 900U, Unisex, 412(I)	Group E	n/a
908	IFX2FW05	Integrity Plus II, Fixed Form 900-8	Group E	n/a
909	IF2IUW05	Integrity Plus II, Fixed Form 900-8U, 412(I)	Group E	n/a
910	ISP1VW05	Integrity Plus Single III, Flexible Form 910	Group E	n/a
911	ISP1UW05	Integrity Plus Single III, Flexible Form 910U, Unisex	Group E	n/a
912	ISP1IW05	Integrity Plus Single III, Flexible Form 910U, Unisex, 412(I)	Group E	n/a
913	ISP1FW05	Integrity Plus Single III, Fixed Form 910-5	Group E	n/a
914	IS1IUW05	Integrity Plus Single III, Fixed Form 910-5U, 412(I)	Group E	n/a
915	ISP2VW05	Integrity Plus Single IV, Flexible Form 910	Group E	n/a
916	ISP2UW05	Integrity Plus Single IV, Flexible Form 910U, Unisex	Group E	n/a
917	ISP2IW05	Integrity Plus Single IV, Flexible Form 910U, Unisex, 412(I)	Group E	n/a
918	ISP2FW05	Integrity Plus Single IV, Fixed Form 910-9	Group E	n/a
919	IS2IUW05	Integrity Plus Single IV, Fixed Form 910-9U, 412(I)	Group E	n/a
920	20PL 05	Gold Crown 20 (20 Pay Life), M & F	Group D	N
921	20PLU 05	Gold Crown 20 (20 Pay Life), Unisex	Group D	N
922	20PLI 05	Gold Crown 20 (20 Pay Life), Unisex, 412(I)	Group D	N
923	SPL 05	Single Premium Life M & F (Premium One Plus)	Group D	N
924	10TF 05	Safegard Select - 10 Year, M/ F, TIC Agency Only	Group E	n/a
1AA	UL20G 06	Vanguard Silver - 20yr No Lapse Period.; Guideline Prem Test	Group E	n/a
1AB	ULU20G06	Vanguard Silver - 20yr No Lapse Period.; Guideline Prem Test, Unisex	Group E	n/a
1AC	ULRPU 12	Vanguard Silver Conversion to Reduced Paid Up Insurance, Tobacco	Group D	N
1AD	ULRPUU09	Vanguard Silver Conversion to Reduced Paid Up Insurance, Tobacco, Unisex	Group E	n/a
1AE	LPWL 07	Low Premium Whole Life (Excalibur) M/F	Group D	N
1AF	LPWLU 07	Low Premium Whole Life, Unisex (Excalibur)	Group D	N
1AG	10RT 07	Selec-Term 10, All bands, M & F	Group E	n/a
1AH	10RTU 07	Selec-Term 10, All bands, Unisex	Group E	n/a
1AI	15RT 07	Selec-Term 15, All bands, M & F	Group E	n/a
1AJ	15RTU 07	Selec-Term 15, All bands, Unisex	Group E	n/a
1AK	20RT 07	Selec-Term 20, All bands, M & F	Group E	n/a
1AL	20RTU 07	Selec-Term 20, All bands, Unisex	Group E	n/a
1AM	30RT 07	Selec-Term 30, All bands, M & F	Group E	n/a
1AN	30RTU 07	Selec-Term 30, All bands, Unisex	Group E	n/a
1AP	SPL 08	Legacy One Single Premium Life M & F Adults	Group D	N
1AQ	SPLU 08	Legacy One Single Premium Life, Unisex , Adults	Group D	N
1AR	IFX1VW07	Integrity Plus I, Flexible Form 900	Group E	n/a
1AS	IFX1UW07	Integrity Plus I, Flexible Form 900U, Unisex/412(i)	Group E	n/a
1AT	IFX2VW07	Integrity Plus II, Flexible Form 900	Group E	n/a
1AU	IFX2UW07	Integrity Plus II, Flexible Form 900U, Unisex/412(i)	Group E	n/a
1AV	ISP1VW07	Integrity Plus Single III, Flexible Form 910	Group E	n/a
1AW	ISP1UW07	Integrity Plus Single III, Flexible Form 910U, Unisex/412(i)	Group E	n/a
1AX	ISP2VW07	Integrity Plus Single IV, Flexible Form 910	Group E	n/a
1AY	ISP2UW07	Integrity Plus Single IV, Flexible Form 910U, Unisex/412(i)	Group E	n/a
1BH	SPL J08	Legacy One Single Premium Life M & F, Juveniles, Unismoke Rates	Group D	N
1BI	SPLU J08	Legacy One Single Premium Life ,Unisex , Juveniles, Unismoke Rates	Group D	N
1BJ	COV2 08	Covenant II, Tobacco, M/F	Group D	N
1BK	COV2U 08	Covenant II, Tobacco, Unisex/412	Group D	N
1BP	EMAX 08	EconoMax, Tobacco, Male & Female	Group D	Y
1BQ	EMAXU 08	EconoMax, Tobacco, Unisex	Group D	Y

1BS	SPL 12	Legacy One Single Premium Life M & F Adults, RE-PRICED 2012	Group D	N
1BT	SPLU 12	Legacy One Single Premium Life M & F Adults, Unisex,RE-PRICED 2012	Group D	N
1BU	SPL J12	Legacy One Single Premium Life M & F, Juveniles, Unismoke Rates RE-PRICED 2012	Group D	N
1BV	SPLU J12	Legacy One Single Premium Life ,Unisex , Juveniles, Unismoke Rates RE-PRICED 2012	Group D	N
1BW	COV2 12	Covenant II, Tobacco, M/F RE-PRICED 2012	Group D	N
1BX	COV2U 12	Covenant II, Tobacco, Unisex/412 RE-PRICED 2012	Group D	N
1BY	EMAX 12	EconoMax, Tobacco, Male & Female RE-PRICED 2012	Group D	Y
1BZ	EMAXU 12	EconoMax, Tobacco, Unisex RE-PRICED 2012	Group D	Y
600WI	SPLW 87	Single Premium Life, Wisconsin	Group B	n/a
6A6	L90NP*84	EconoLife M, Non-Smoker Special Non-Participating	Group E	n/a
7A1	10RTS*96	Selec-Term 10 M, Non-Smoker, Special for Policy 001055902A	Group E	n/a
N00	SL 85	Single Premium Paid Up Additions Rider, M	Group D	N
N01	IL *85	Annual Premium Paid Up Additions Rider, M, NS	Group D	N
N02	IL 85	Annual Premium Paid Up Additions Rider, M	Group D	N
N03	ILU *89	Annual Prem PU Additions Rider, Unisex, NS	Group D	N
N04	ILU 89	Annual Prem PU Additions Rider, Unisex	Group D	N
N05	ILNFO 85	Annual Prem PU Additions Rider on NFO, M	Group D	N
N06	SLU 88	Single Prem PU Additions Rider, Unisex	Group D	N
N07	ILNFU 90	Annual Prem PU Add Rider on NFO, Unisex & 412(I)	Group D	N
N08	SLU 90	Single Prem PU Additions Rider, Unisex & 412(I)	Group D	N
N11	IL *90	Annual Premium Paid Up Additions Rider, M, NS	Group D	N
N12	IL 90	Annual Premium Paid Up Additions Rider, M	Group D	N
N13	ILU *90	Annual Prem PU Additions Rider, Unisex & 412(I), NS	Group D	N
N14	ILU 90	Annual Prem PU Additions Rider, Unisex & 412(I)	Group D	N
N15	IS *92	Flexible Purchase PU Additions Rider, M, NS	Group D	N
N16	IS 92	Flexible Purchase PU Additions Rider, M	Group D	N
N17	ISU *92	Flexible Purchase PU Add Rider, Unisex, NS	Group D	N
N18	ISU 92	Flexible Purchase PU Add Rider, Unisex	Group D	N
N19	ILPA *96	Annual Premium PU Additions Rider, M, NS for PA	Group D	N
N20	ILPA 96	Annual Premium PU Additions Rider, M for PA	Group D	N
N21	ILBLP 98	Annual Premium PU Additions Rider, M for BLP only	Group D	N
N22	ILP65 04	Annual Premium Paid Up Additions Rider, M FOR GOLD CROWN 65 ONLY	Group D	N
N23	ILU65 04	Annual Prem PU Additions Rider, Unisex FOR GOLD CROWN 65 ONLY	Group D	N
N24	ILP20 05	Annual Premium Paid Up Additions Rider, M/F, FOR GOLD CROWN 20 ONLY	Group D	N
N25	ILU20 05	Annual Prem PU Additions Rider, Unisex FOR GOLD CROWN 20 ONLY	Group D	N
N26	IL1 90	Annual Premium Paid Up Additions Rider, M/F, for 1st Quarter	Group D	N
N27	IL1U 90	Annual Prem PU Additions Rider, Unisex & 412(I), for 1st Quarter	Group D	N
N28	IL2 90	Annual Premium Paid Up Additions Rider, M/F, for 2nd Quarter	Group D	N
N29	IL2U 90	Annual Prem PU Additions Rider, Unisex & 412(I) for 2nd Quarter	Group D	N
N30	IL3 90	Annual Premium Paid Up Additions Rider, M/F, for 3rd Quarter	Group D	N
N31	IL3U 90	Annual Prem PU Additions Rider, Unisex & 412(I) for 3rd Quarter	Group D	N
N32	ISFLX 11	Annual Premium Paid Up Additions Rider, Flexible Version M/F	Group D	N
N33	ISFLXU11	Annual Premium Paid Up Additions Rider, Flexible Version, Unisex	Group D	N
N34	ISFC 12	Flex Pay PUA Rider - converted from Annual PUA Rider, M/F	Group D	N
N35	ISFCU 12	Flex Pay PUA Rider - converted from Annual PUA Rider, Unisex	Group D	N
NA0	SLNP *85	Single Premium Paid Up Additions Rider, M, NS, Special Non-Par	Group E	n/a
P14	SLS 08	Single Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, M/F	Group D	N
P15	SLSU 08	Single Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, Unisex	Group D	N
P16	SLU 08	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F	Group D	N
P17	SLUU 08	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, Unisex	Group D	N
P18	ILS 08	Annual Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, M/F	Group D	N
P19	ILSU 08	Annual Prem PU Additions Rider for Excalibur & Other Smoker Distinct Base Plans, Unisex	Group D	N
P20	ILU 08	Annual Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F	Group D	N
P21	ILUU 08	Annual Prem PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex	Group D	N
P22	ILNS 08	Annual Premium Paid Up Additions Rider on NFO for Excalibur & Other Smoker Distinct Base Plans, M/F	Group D	N
P23	ILNSU 08	Annual Prem PU Additions Rider on NFO for Excalibur & Other Smoker Distinct Base Plans, Unisex	Group D	N
P24	ILNU 08	Annual Premium Paid Up Additions Rider on NFO for Covenant & Other Unismoke Base Plans,M/ F	Group D	N
P25	ILNUU 08	Annual Prem PU Additions Rider on NFO for Covenant & Other Unismoke Base Plans, Unisex	Group D	N
P26	IL1S 08	Annual Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, M/F for 1st Quarter	Group D	N
P27	IL1SU 08	Annual Prem PU Additions Rider for Excalibur & Other Smoker Distinct Base Plans, Unisex for 1st Quarter	Group D	N
P28	IL2S 08	Annual Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, M/F for 2nd Quarter	Group D	N
P29	IL2SU 08	Annual Prem PU Additions Rider for Excalibur & Other Smoker Distinct Base Plans, Unisex for 2nd Quarter	Group D	N
P30	IL3S 08	Annual Premium Paid Up Additions Rider for Excalibur & Other Smoker Distinct Base Plans, M/F for 3rd Quarter	Group D	N
P31	IL3SU 08	Annual Prem PU Additions Rider for Excalibur & Other Smoker Distinct Base Plans, Unisex for 3rd Quarter	Group D	N
P32	IL1U 08	Annual Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F for 1st Quarter	Group D	N
P33	IL1UU 08	Annual Prem PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex 1st Quarter	Group D	N
P34	IL2U 08	Annual Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F for 2nd Quarter	Group D	N
P35	IL2UU 08	Annual Prem PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex 2nd Quarter	Group D	N
P36	IL3U 08	Annual Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F for 3rd Quarter	Group D	N
P37	IL3UU 08	Annual Prem PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex 3rd Quarter	Group D	N
P38	SLU 11	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F - Repriced eff. 4/1/2011	Group D	N
P39	SLUU 11	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, Unisex - Repriced eff. 4/1/2011	Group D	N
P40	ILU 11	Annual Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F - Repriced eff. 4/1/2011	Group D	N
P41	ILUU 11	Annual Prem PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex - Repriced eff. 4/1/2011	Group D	N
P42	ILNU 11	Annual Premium Paid Up Additions Rider on NFO for Covenant & Other Unismoke Base Plans,M/ F - Repriced eff. 4/1/2011	Group D	N
P43	ILNUU 11	Annual Prem PU Additions Rider on NFO for Covenant & Other Unismoke Base Plans, Unisex - Repriced eff. 4/1/2011	Group D	N
P44	FLX 11	FLEXIBLE Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F	Group D	N
P45	FLXU 11	FLEXIBLE Premium PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex	Group D	N
P46	FLXC 12	FLEXIBLE Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F -CONVERTED VERSION FROM P20, ETC	Group D	N
P47	FLXCU 12	FLEXIBLE Premium PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex CONVERTED VERSION FROM P21, ETC	Group D	N
P48	FLCX 12	FLEXIBLE Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F -CONVERTED VERSION FROM P40	Group D	N
P49	FLCXU 12	FLEXIBLE Premium PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex CONVERTED VERSION FROM P41	Group D	N
P52	SLU 12	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F - Repriced 2012	Group D	N
P53	SLUU 12	Single Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, Unisex - Repriced 2012	Group D	N
P54	FLX 12	FLEXIBLE Premium Paid Up Additions Rider for Covenant & Other Unismoke Base Plans, M/F RE-PRICED 2012	Group D	N
P55	FLXU 12	FLEXIBLE Premium PU Additions Rider for Covenant & Other Unismoke Base Plans, Unisex RE-PRICED 2012	Group D	N

ANNEX B

Mortality Experience Floors in Dividend Scale for Certain Plans

A. For the following plans issued through 2001 or 2003

ECONOLIFE issued through 2001 (606,614)
PUAR on these EconoLife policies (N00-N08, N11-N20)
PUA additions on these EconoLife policies

The following plans issued from 1986-2003
Value Life type plans (616,617,712,713,832,833)
Capital Life plans (618,619,739,740)
Covenant plans (795,796)
PUAR on these (N00-N08, N11-N20)
PUA additions on these

Reinsured portion (90%) of retained amount (ceded only if net amount at risk is $5,000 or more) uses dividend mortality no lower than the reinsurance YRT rates, which are as follows:

Juveniles 60% of appropriate 75-80 table
NT (no tobacco) = 52% of appropriate 75-80 table
T (tobacco) = 107% of appropriate 75-80 table

where underlying 1975-80 tables (as appropriate) may be
Male age near birthday, not smoker distinct
Female age near birthday, not smoker distinct

B. For the following plans issued from 1/1/2004 to 3/31/2011
Premium One/Premium One Plus (600,923)
EconoLife (604,606,614)
ValueLife II (712,713,832,833)
Capital Life (739,740,893-895)
Covenant (795-796)
Gold Crown 65 (890-892)
Gold Crown 20 (920-922)
SPUAR (N00,N06,N08)
APUAR (N01-N05,N07,N11-N14,N19-N31)
Excalibur (1AE,1AF)
Legacy One (1AP,1AQ.1BH,1BI)
Covenant II (1BJ,1BK)
EconoMax (1BP,1BQ)
SPUAR (P14-P17,P38,P39)
APUAR (P18-P37,P40-P43)

Reinsured portion (90%) of retained amount (ceded only if net amount at risk is $5,000 or more) uses dividend mortality no lower than the reinsurance YRT rates, which are as follows:

Juveniles 103% of appropriate 2001 VBT table
PP (preferred plus) = 43% of appropriate 2001 VBT table
PC (preferred nonsmoker) = 48% of appropriate 2001 VBT table
NS (nonsmoker) = 72% of appropriate 2001 VBT table
PS (preferred smoker) = 73% of appropriate 2001 VBT table
SS (standard smoker) = 91% of appropriate 2001 VBT table

where underlying 2001 VBT tables (as appropriate) may be
Male nonsmoker
Female nonsmoker
Male smoker
Female smoker
Male aggregate (for juveniles whose smoking habit is not yet determined)
Female aggregate (for juveniles whose smoking habit is not yet determined)

ANNEX C

Investment Policy Statement

The Company's overall goals for its investment program under the Dividend Protection Plan ("DPP") are:

1) To comply with all applicable laws and regulations;
2) To monitor and manage overall investment risks; and
3) To achieve risk-adjusted investment returns necessary to support the requirements of the DPP

Asset Allocation Guidelines

Asset Class	Min	Target	Max
Public Corporates (including Preferred Stocks)	25%	53%	75%
Structured: MBS/ABS/CMBS	5%	10%	25%
CMBS Only	0%	3%	8%
U.S. Government and U.S. Government Agencies	0%	0%	30%
Taxable Municipal Bonds	0%	0%	10%
Private Corporates (including Preferred Stocks)	0%	18%	35%
Direct Commercial Mortgages	0%	10%	20%
Equities*	0%	2%	5%
Cash or Short-Term Investments	0%	2%	10%
Alternative Investments	0%	2%	10%

*Equity investments can only be made in Mutual Funds or Exchange Traded Funds ("ETF's")

Below Investment Grade Bond Restriction: A target of 4.0% will be established for Below Investment Grade Bonds, with a maximum allocation equal to the latest disclosed ACLI Industry Average (6.0% as of 9/30/2014).

Notwithstanding the asset class restrictions defined previously, the following restrictions will be adhered to in accordance with applicable investment law limitations:

Other Asset Class Restrictions	Maximum - % of Investments under DPP
Foreign Securities (Other than Canadian)	20%
Canadian Securities	40%
Total Securities Rated NAIC 3 and Below	20%
Total Securities Rated NAIC 4 and Below	10%
Total Securities Rated NAIC 5 and Below	3%
Total Securities Rated NAIC 6 and Below	1%

In addition to these limitations, the maximum total investment at any given time in below investment grade bonds (securities rated lower than NAIC 2) plus common stock plus limited partnerships plus mutual funds (non-money market) plus real estate plus alternative investments shall not exceed an amount equal to 125% of the sum of statutory surplus plus AVR.
Asset class maximums are set to ensure applicable investment law compliance as well as reflect the risk characteristics of the asset class. The Company may only purchase asset types permitted under the applicable investment law.

Single obligor limits

The maximum amount invested in bond holdings (public plus private) of a single obligor shall not exceed the following limits. Obligor is defined as the ultimate organization responsible for the security (implicitly or explicitly, secured or unsecured.) This guideline does not apply to obligations of the U.S. Government and its agencies. For purpose of compliance, if a security is rated by two rating agencies, the lower rating will be used. If a security is rated by three rating agencies, the middle rating will be used. Obligor exposures will be monitored using ticker symbols (Bloomberg):

Rating Category	**Maximum Amount of Investments under DPP**
AAA or AA	$10 million
A	$8 million
BBB	$5 million
NAIC 3	$3 million
Below NAIC 3	$2 million

The maximum amount invested at the time of purchase in private placements of a single obligor shall not exceed:

NAIC Rating Category	**Maximum Amount of Investments under DPP**
1 (AAA or AA like quality)	$7.0 million
1 (A like quality)	$5.0 million
2 (BBB like quality)	$4.0 million

The maximum amount invested in a single mortgage loan should not exceed $4.0 million.

EXHIBIT B

Fairness Opinion of Financial Advisor to MTL

Milliman

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April 7, 2015

The Board of Directors of
Mutual Trust Holding Company
1200 Jorie Boulevard
Oak Brook, Il 60522

Re: Actuarial Fairness Opinion

STATEMENT OF ACTUARIAL OPINION

Subject of this Opinion

We have been retained by Mutual Trust Holding company to provide an opinion relating to the fairness to policyholders of the MTL Insurance Company ("MTL"), from an actuarial point of view, of the proposed merger (the "Merger") of the Mutual Trust Holding Company ("MTMHC") into the Pan-American Life Mutual Holding Company ("PAMHC") as described in "Agreement and Plan of Merger between Pan-American Life Mutual Holding Company and Mutual Trust Holding Company dated as of April 7, 2015 ("Merger Agreement"). This opinion provides in writing the oral opinion we provided to the Board of Directors of MTMHC on April 6, 2015.

The opinion set forth herein is not a legal opinion concerning the Merger Agreement but rather reflects the application of actuarial concepts to the provisions thereof.

A team of Milliman consultants, separate and independent from the team that represented MTMHC, has represented PAMHC on this transaction.

Capitalized terms in this opinion either are defined terms in this opinion or have the same meaning in this opinion as they have in the Merger Agreement.

Qualifications

We, Steven I. Schreiber and Dale Hagstrom, are associated with Milliman, Inc. an actuarial consulting firm, and are each a Member of the American Academy of Actuaries, qualified under its Qualification Standards to render the opinion set forth in this letter.

Use of This Letter

This letter is intended for the use of the Board of Directors of MTMHC and its professional advisors. In addition, we consent to its use in connection with regulatory filings related to the approval of the proposed Merger. This letter may also be distributed to the management and officers of MTL and MTMHC. This letter also may be reproduced in its entirety and included in a proxy statement that will be mailed to policyholders, provided that any reference to Milliman in such proxy statement shall be subject to prior review and approval by Milliman, which approval shall not be unreasonably withheld. Any further distribution of this letter other than as provided herein requires our advance written consent.

Reliance

In forming the opinion set forth in this letter, we have received, under the supervision of Narayan Shankar, Senior Vice President and Chief Actuary of MTL, extensive information concerning MTL and its historical dividend practices. In addition, we and our colleagues (working for MTL and separated from the team working for PAMHC) received, via an electronic dataroom, significant information about PAMHC and its operating companies. To the best of our knowledge, we were provided with all information we required to the extent that it was available or could reasonably be developed. We have made no independent verification or audit of this information, and we have relied on this information in forming our opinion. Our opinion depends on its substantial accuracy.

Process

Our review is based on the information provided to us by MTMHC and PAMHC and our general knowledge of actuarial concepts as they have customarily been applied to transactions of this type.

Opinion

In our opinion, the proposed Merger is fair to MTL's policyholders from an actuarial point of view.

Discussion

There is no specific set of criteria by which actuarial fairness to policyholders is judged in a transaction such as that contemplated by the proposed Merger. However, in our professional judgment, the appropriate criteria for making an assessment as to the actuarial fairness to the MTL policyholders in this instance include each of the following:

> <u>Question 1</u>: Will the MTL policyholders be part of an entity that is at least as strong financially (and hence at least as able to fulfill its guaranteed commitments to policyholders) as is MTL today?
>
> <u>Question 2</u>: Do the arrangements between the parties provide for the continued reasonable financial treatment of the MTL policyholders?

If the answers to these questions are each "Yes", then in our view the arrangement is fair from an actuarial point of view.

Our analysis of the above criteria in support of our opinion is as follows:

a. MTMHC and PAMHC, together with their respective insurance companies, are financially secure companies, but PAMHC's lead insurance company, Pan-American Life Insurance Company ("PALIC") currently maintains a higher financial strength rating from AM Best (with a rating of A (Excellent)) than MTL, which has a current rating from AM Best of A- (Excellent). In addition, PAMHC has committed to provide capital to maintain MTL's capital at a 400% Company Action Level Risk-Based Capital level over a five year period following the Merger, which will allow MTL to continue its growth. After reflecting this capital support and potential synergies between PAMHC and MTMHC, there is reason to expect that, upon the Merger, the combined entity will be at least as strong from a financial perspective as the current financial situation today for MTL's policyholders. Thus, our answer to Question 1 is "Yes."

b. With regard to Question 2, we have considered the following:

   i. As part of MTL's conversion to a mutual holding company structure in 1999, MTL implemented a Post-Conversion Dividend Principles and Policy. Under that Policy, there was a provision which allowed MTL in the future to terminate or modify the post-conversion dividend practices and policy in the event of a future merger with another mutual holding company.

   ii. The existing Post-Conversion Dividend Principles and Policy will be replaced as part of the Merger with a more detailed dividend protection mechanism. As described in the Merger Agreement, the purpose of this revised dividend protection mechanism is to protect and maintain the reasonable dividend expectations of MTL's Present Participating Policyholders.

   iii. Exhibit 3.1 to the Merger Agreement contains a Statement of Dividend Principles (which we refer to as the dividend protection mechanism, or "DPM") which will supersede the existing MTL Post-Conversion Dividend Principles and Policy.

   iv. Based on our review of Exhibit 3.1 and its schedules and our understanding of MTL's recent dividend practices, we believe that the DPM does provide for the reasonable dividend expectations of existing policyholders.

   v. Most of MTL's participating policies fall into Group D defined in Exhibit 3.1. For these policyholders, we conceptually view "reasonable dividend expectations" as meaning that if the current experience underlying the existing 2015 dividend scale continues (including today's portfolio interest rate), then the 2015 dividend scale should continue unchanged. We do note however, that consistent with recent practice, the DPM does provide the Board with the ability to recover, via a reduction to the dividend scale, previously uncharged realized capital losses from credit events, but only within the constraints defined in the DPM.

vi. We also recognize that, consistent with the recent trend for many companies' participating dividend scales, if interest rates available on new asset purchases continue at today's low levels, which are lower than the average interest rates earned on MTL's existing assets, it is reasonable for policyholders to expect future dividend scales will be reduced from today's dividend scale. If experience improves in the future, the DPM would allow recovery of recent dividend subsidies before such improved experience results in increases to the current dividend scale.

vii. While the DPM does allow continued reflection in the dividend scale of emerging mortality and investment experience, the procedures underlying the DPM and certain factors in the DPM can only be changed with prior approval of the Advisory Board (see below) or, if the Advisory Board no longer exists, with prior approval of MTL's domiciliary regulator.

viii. The DPM also defines appropriate protections for small groups of policies defined as Group A, Group B and Group C in the DPM. The DPM provides no protection where there is no dividend to protect, that is, where the product has not paid dividends for some years (or ever) and no dividends are likely.

ix. The DPM also requires that the Board of Directors (and Advisory Board during its existence) of MTL obtain a report every three years from an independent actuary regarding MTL's compliance with the requirements of the DPM, providing additional assurance to the MTL policyholders of compliance with the DPM.

x. The Merger Agreement includes the formation of an Advisory Board which will consist of current MTL Board of Director members who will not be Board members of MTL, PALIC or PAMHC after the transaction is completed. The Advisory Board will exist for at least seven years following the Merger. The Advisory Board can enforce the rights of the former MTL policyholder-members under certain provisions of the Merger Agreement.

xi. It is our understanding that there are no current plans for the surviving PAMHC to demutualize. The Merger Agreement does provide that, in the event of a future demutualization, all members of PAMHC (including owners of current MTL policies still in force at that time) will be treated fairly and equitably under a plan of demutualization.

Based on items (i) – (xi) above, our answer to Question 2 is "Yes."

Yours sincerely,

Steven I. Schreiber, FSA, MAAA
Consulting Actuary

Dale S. Hagstrom, FSA, MAAA
Consulting Actuary

EXHIBIT C

Fairness Opinion of Actuarial Consultants to MTL

KEEFE, BRUYETTE & WOODS
A Stifel Company

CONFIDENTIAL

April 7, 2015

The Board of Directors
Mutual Trust Holding Company
1200 Jorie Boulevard
Oak Brook, IL 60523

Members of the Board:

You have requested the opinion of Keefe, Bruyette & Woods, Inc. ("KBW" or "we") as investment bankers as to the fairness to the policyholder members of Mutual Trust Holding Company ("Mutual Trust HC"), from a financial point of view, of the exchange of the policyholder members' membership interests in Mutual Trust HC for membership interests in Pan-American Life Mutual Holding Company ("Pan-American"), as the surviving company following the proposed mergers (the "Transaction") of (i) Mutual Trust HC with and into Pan-American and (ii) MTL Holdings, Inc., a wholly owned subsidiary of Mutual Trust HC, with and into Pan-American Life Insurance Group, Inc., a wholly owned subsidiary of Pan-American, pursuant to the terms of a proposed Agreement and Plan of Merger by and between Mutual Trust HC and Pan-American (the "Agreement"). Pursuant to the terms of the Agreement, policyholders of MTL Insurance Company ("MTL"), a wholly owned subsidiary of Mutual Trust HC, will continue to be entitled to the rights and privileges set forth in MTL's existing insurance policies and annuity contracts, as more fully described in the Agreement. The terms and conditions of the Transaction are more fully set forth in the Agreement.

KBW has acted as financial advisor to Mutual Trust HC and not as an advisor to or agent of any other person. As part of our investment banking business, we are continually engaged in the valuation of insurance and insurance holding company securities in connection with acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of insurance companies, we have experience in, and knowledge of, the valuation of insurance enterprises. In the ordinary course of KBW's business as a broker-dealer, KBW and its affiliates may, from time to time purchase securities from, and sell securities to, Mutual Trust HC and Pan-American, and as a market maker in securities, KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Mutual Trust HC and Pan-American for KBW's own account and for the accounts of its customers. We have acted exclusively for the board of directors of Mutual Trust HC (the "Board") in rendering this opinion and will receive a fee from Mutual Trust HC for our services. A portion of our fee is payable upon the rendering of this opinion, and a significant portion is contingent upon the successful completion of the Transaction. In addition, Mutual Trust HC has agreed to indemnify us for certain liabilities arising out of our engagement.

Other than this present engagement, in the past two years, KBW has not provided investment banking and financial advisory services to Mutual Trust HC. In the past two years, KBW has not provided investment banking and financial advisory services to Pan-American. We may in the future provide investment banking and financial advisory services to Mutual Trust HC or Pan-American and receive compensation for such services.

In connection with this opinion, we have reviewed, analyzed and relied upon material bearing upon the financial and operating condition of Mutual Trust HC and Pan-American and the Transaction, including among other things, the following: (i) a draft of the Agreement dated April 2, 2015; (ii) annual audited GAAP financial statements for each of the years ended December 31, 2013, 2012 and 2011 for Mutual Trust HC and Pan-American; (iii) annual audited statutory financial statements for each of the years ended December 31, 2013, 2012 and 2011 for MTL and Pan-American Life Insurance Company; (iv) certain information furnished to us by Mutual Trust HC and Pan-American, including financial forecasts and analyses and interim financial reports, relating to the business, operations and prospects of Pan-American; (v) certain publicly available financial and other information about Pan-American and Mutual Trust HC; (vi) the Statement of Dividend Principles for MTL to be appended to the Agreement; and (vii) the potential pro forma impact of the Transactions. We have also performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the insurance industry generally. We have also held discussions with senior management of Mutual Trust HC and Pan-American regarding the past and current business operations, regulatory relations, financial condition and future prospects of their respective companies and such other matters as we have deemed relevant to our inquiry. We have not been requested to, and have not, assisted Mutual Trust HC with soliciting indications of interest from third parties other than Pan-American regarding a potential transaction with Mutual Trust HC.

In conducting our review and arriving at our opinion, we have relied upon and assumed the accuracy and completeness of all of the financial and other information provided to us or publicly available and we have not independently verified the accuracy or completeness of any such information or assumed any responsibility or liability for such verification, accuracy or completeness. We also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either Mutual Trust HC or Pan-American since the date of the last financial statements of each such entity that were made available to us. We are not experts in the evaluation of insurance policyholder liabilities, nor are we actuaries. We have not made an independent evaluation of such liabilities and therefore are not expressing any opinion as to the adequacy of such liabilities of Mutual Trust HC or Pan-American. In rendering our opinion, we have not made or obtained any evaluations or appraisals or physical inspection of the property, assets or liabilities (contingent or otherwise) of Mutual Trust HC or Pan-American, the collateral securing any of such assets or liabilities, or the collectability of any such, nor did we evaluate the solvency, financial capability or fair value of Mutual Trust HC or Pan-American under any state or federal laws, including those relating to bankruptcy, insolvency or other matters. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, we assume no responsibility or liability for their accuracy.

We have assumed, in all respects material to our analyses, the following: (i) that the Transaction and any related transaction will be completed substantially in accordance with the terms set forth in the Agreement (the final terms of which will not differ in any respect material to our analyses from the draft reviewed); (ii) that the representations and warranties of each party in the Agreement and in all related documents and instruments referred to in the Agreement are true and correct; (iii) that each party to the Agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents; (iv) that there are no factors that would delay or subject to any adverse conditions, any necessary regulatory or governmental approval for the Transaction or any related transaction and that all conditions to the completion of the Transaction and any related transaction will be satisfied without any waivers or modifications to the Agreement; and (v) that in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Transaction and any related transaction, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of Mutual Trust HC, Pan-American or the combined entity, or the contemplated benefits of the Transaction. Additionally, we have assumed, with your consent, that in any subsequent reorganization, demutualization, redomestication, offering, distribution, sale or other similar transaction involving Pan-American as the surviving mutual holding company, or any of its subsidiaries, impacting Mutual Trust HC members existing on the date of the Agreement who remain members of the surviving mutual holding company immediately prior to any such transaction, such members will be treated fairly and equitably relative to all other members of the surviving mutual holding company immediately prior to the consummation of such transaction. We have assumed that the Transaction will be consummated in a manner that complies with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. We have further assumed that Mutual Trust HC has relied upon the advice of its counsel, independent accountants, actuaries and other advisors (other than KBW) as to all legal, financial reporting, tax, accounting, actuarial and regulatory matters with respect to Mutual Trust HC, Pan-American, the Transaction, any related transaction and the Agreement. KBW has not provided advice with respect to any such matters.

This opinion addresses only the fairness, from a financial point of view, as of the date hereof, to the policyholder members of Mutual Trust HC of the exchange of the policyholder members' membership interests in Mutual Trust HC for membership interests in Pan-American. We express no view or opinion as to any other terms or aspects of the Transaction or any related transaction, including without limitation, the form or structure of the Transaction or any related transaction, any consequences of the Transaction or any related transaction to Mutual Trust HC, its policyholder members, creditors or otherwise, or any terms, aspects, merits or implications of any employment, consulting, voting, support or other agreements, arrangements or understandings contemplated or entered into in connection with the Transaction or otherwise. Our opinion is necessarily based upon conditions as they exist and can be evaluated on the date hereof and the information made available to us through the date hereof. It is understood that subsequent developments may affect the conclusion reached in this opinion and that KBW does not have an obligation to update, revise or reaffirm this opinion. Our opinion does not address, and we express no view or opinion with respect to, (i) the underlying business decision of Mutual Trust HC to engage in the Transaction or enter into the Agreement, (ii) the relative merits of the Transaction as compared to any strategic alternatives that are, have been or may be available to or contemplated by Mutual Trust HC or the Board, (iii) the fairness of the amount or nature of any compensation to any of Mutual Trust HC officers, directors or employees, or any class of such persons, (iv) any advice or opinions provided by any other advisor to any of the parties to the Transaction or any other transaction contemplated by the Agreement, or (v) any legal, regulatory, accounting, actuarial, tax or similar matters relating to Mutual Trust HC, Pan-American, their respective policyholder members, or relating to or arising out of or as a consequence of the Transaction or any related transaction.

This opinion is for the information of, and is directed to, the Board (in its capacity as such) in connection with its consideration of the fairness, from a financial point of view, as of the date hereof, to the policyholder members of Mutual Trust HC of the exchange of the policyholder members' membership interests in Mutual Trust HC for membership interests in Pan-American. This opinion is not to be used for any other purpose and may not be published, referred to, reproduced, disseminated or quoted from, in whole or in part, nor shall any public reference to KBW be made, without our prior written consent. However, pursuant to our engagement letter with Mutual Trust HC, this opinion may be reproduced in a proxy statement or similar information statement that Mutual Trust HC delivers to its members provided that the opinion will be reproduced in such proxy statement or information statement in full, and any description of or reference to KBW or summary of the opinion in such proxy statement or information statement will be in a form reasonably acceptable to KBW and its counsel. This opinion does not constitute a recommendation to the Board as to how it should vote on the Transaction, or to any policyholder member of Mutual Trust HC or Pan-American as to how to vote in connection with the Transaction or any other matter.

This opinion has been reviewed and approved by our Fairness Opinion Committee in conformity with our policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the exchange of the policyholder members' membership interests in Mutual Trust HC for membership interests in Pan-American, as the surviving company following completion of the Transaction, is fair, from a financial point of view, to the Mutual Trust HC policyholder members.

Very truly yours,

Keefe, Bruyette & Woods, Inc.

Keefe, Bruyette & Woods, Inc.

EXHIBIT D

Financial Statements of MTL

CONSOLIDATED FINANCIAL STATEMENTS

Mutual Trust Holding Company and Subsidiaries
Years Ended December 31, 2014 and 2013
With Report of Independent Auditors

Mutual Trust Holding Company and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

Contents

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Report of Independent Auditors

The Board of Directors
Mutual Trust Holding Company

We have audited the accompanying consolidated financial statements of Mutual Trust Holding Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income (loss), changes in policyowners' surplus and cash flows for the years then ended, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mutual Trust Holding Company and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

May 13, 2015

Mutual Trust Holding Company and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	December 31 2014	2013
Assets		
Invested assets:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $1,391,903 and $1,329,522 in 2014 and 2013, respectively)	**$ 1,488,526**	$ 1,358,098
Equity securities, at fair value (cost of $8,428 and $7,110 in 2014 and 2013, respectively)	**9,802**	8,424
Mortgage loans on real estate (net of allowance of $985 and $1,323 in 2014 and 2013, respectively)	**127,265**	158,423
Real estate, held-for-sale	**3,450**	4,855
Policy loans	**263,255**	252,623
Short-term investments	**21,282**	22,875
Other invested assets	**21,244**	20,646
Total invested assets	**1,934,824**	1,825,944
Cash	**1,209**	4,266
Accrued investment income	**15,027**	14,552
Deferred policy acquisition costs	**120,570**	157,735
Home office property, equipment, and software, net	**14,392**	12,594
Reinsurance recoverables	**77,428**	63,476
Income taxes recoverable	**–**	2,253
Corporate-owned life insurance	**19,116**	19,203
Other assets	**3,194**	4,164
Total assets	**$ 2,185,760**	$ 2,104,187
Liabilities and policyowners' surplus		
Future policy benefit reserves	**$ 1,459,645**	$ 1,411,207
Policyholder account balances	**275,541**	281,749
Policy and contract claims	**7,224**	10,311
Dividend accumulations	**28,660**	30,439
Net deferred tax liability	**35,590**	23,689
Income taxes payable	**1,740**	–
Long-term debt	**50,857**	50,857
Other liabilities	**38,079**	38,301
Total liabilities	**1,897,336**	1,846,553
Policyowners' surplus:		
Unassigned surplus	**257,687**	246,639
Accumulated other comprehensive income	**30,737**	10,995
Total policyowners' surplus	**288,424**	257,634
Total liabilities and policyowners' surplus	**$ 2,185,760**	$ 2,104,187

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(In Thousands)

	Year Ended December 31	
	2014	**2013**
Revenues:		
Premiums	**$ 166,242**	$ 190,650
Net investment income	**83,248**	82,297
Insurance policy charges	**5,220**	5,130
Realized investment gains	**2,895**	3,198
Other income	**3,873**	3,884
Total revenues	**261,478**	285,159
Benefits and expenses:		
Benefits incurred	**170,289**	193,060
Interest credited to policyholder account balances	**11,226**	11,633
Dividends to policyholders	**7,113**	9,720
General expenses (net of amounts deferred of $1,493 and $2,447 in 2014 and 2013, respectively)	**29,153**	32,649
Commissions (net of amounts deferred of $20,403 and $28,630 in 2014 and 2013, respectively)	**3,498**	4,203
Amortization of deferred policy acquisition costs	**23,644**	18,755
Total benefits and expenses	**244,923**	270,020
Income before income taxes	**16,555**	15,139
Income taxes:		
Current	**3,776**	36
Deferred	**1,731**	5,564
	5,507	5,600
Net income	**11,048**	9,539
Other comprehensive income (loss):		
Change in unrealized gains on securities (net of adjustment to deferred policy acquisition costs and taxes of $(11,319) and $(13,970) in 2014 and 2013, respectively)	**21,973**	(27,117)
Adjustment to underfunded status of pension plan (net of taxes of $1,149 and $1,194 in 2014 and 2013, respectively)	**(2,231)**	2,318
Adjustment to underfunded status of postretirement benefits plan (net of taxes of $249 in 2013)	**–**	484
Total other comprehensive income (loss)	**19,742**	(24,315)
Comprehensive income (loss)	**$ 30,790**	$ (14,776)

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Changes in Policyowners' Surplus
(In Thousands)

	Unassigned Surplus	Accumulated Other Comprehensive Income	Total Policyowners' Surplus
Balance at January 1, 2013	$ 237,100	$ 35,310	$ 272,410
2013 activity:			
Net income	9,539	–	9,539
Other comprehensive loss	–	(24,315)	(24,315)
Balance at December 31, 2013	246,639	10,995	257,634
2014 activity:			
Net income	**11,048**	**–**	**11,048**
Other comprehensive income	**–**	**19,742**	**19,742**
Balance at December 31, 2014	**$ 257,687**	**$ 30,737**	**$ 288,424**

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2014	**2013**
Operating activities		
Net income	**$ 11,048**	$ 9,539
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in future policy benefit reserves	**48,682**	111,433
Decrease in policy and contract claims	**(3,086)**	(1,822)
Policy acquisition costs deferred	**(21,896)**	(31,108)
Amortization of deferred policy acquisition costs	**23,644**	18,755
Amortization of premium or discount	**191**	304
Realized investment gains	**(2,756)**	(3,181)
Increase in reinsurance recoverables	**(13,703)**	(17,494)
Depreciation and amortization	**1,368**	1,400
Decrease (increase) in current income taxes recoverable	**3,992**	(1,914)
Decrease in corporate owned life insurance asset	**87**	538
Increase in accrued interest on long-term debt	**–**	547
Increase in investment income due and accrued	**(361)**	(199)
Decrease in dividend liability	**(28)**	(2,709)
Other	**(6,551)**	4,240
Net cash provided by operating activities	**40,631**	88,329
Investing activities		
Sale, maturity, or repayment of investments:		
Fixed maturities	**163,019**	149,378
Equity securities	**3,834**	2,625
Mortgage loans	**33,221**	35,575
Other invested assets	**1,593**	147
Sale of subsidiary	**–**	250
Acquisition of investments:		
Fixed maturities	**(222,545)**	(276,962)
Equity securities	**(4,670)**	(2,419)
Mortgage loans	**(1,700)**	(6,865)
Real estate	**(280)**	(3,851)
Other invested assets	**–**	(7,307)
Net decrease in short-term investments	**–**	10,356
Net increase in policy loans	**(10,631)**	(16,328)
Other	**679**	(544)
Net cash used in investing activities	**(37,480)**	(115,945)
Financing activities		
Policyholder account deposits	**11,801**	12,182
Policyholder account withdrawals	**(23,252)**	(26,570)
Interest credited to policyholder account balances	**10,427**	10,460
Costs deducted from policyholder account balances	**(5,184)**	(5,002)
Issuance of long-term debt	**–**	30,000
Net cash (used in) provided by financing activities	**(6,208)**	21,070
Net decrease in cash	**(3,057)**	(6,546)
Cash at beginning of year	**4,266**	10,812
Cash at end of year	**$ 1,209**	$ 4,266

See accompanying notes.

1. Nature of Operations and Basis of Presentation

Mutual Trust Holding Company (MTHC) is a mutual holding company domiciled in Illinois. MTHC and its subsidiaries (the Company) market a variety of participating life insurance, universal life insurance, and annuity products through independent agents in 49 states and the District of Columbia. In 2014, 14% and 12% of the Company's premium revenue was written in California and Texas, respectively.

MTHC owns MTL Holdings, Inc. (MTLH). MTLH wholly owns the principal operating company in the group, MTL Insurance Company (MTL), and MTL Agency, Inc. This ownership structure was established on December 31, 1999, when MTHC and MTLH were formed. In accordance with Illinois law, MTHC must at all times, directly or indirectly, hold at least 51% of the voting stock of MTL.

On September 11, 2012, MTLH, as seller, entered into a Stock Purchase Agreement with Crabtree Holdings, LLC, as purchaser, to transfer ownership of 100% of the issued and outstanding shares of common stock, par value $1.00 per share, of MTL Equity. On January 22, 2013, the Financial Industry Regulatory Authority approved the sale. The transaction closed on February 28, 2013. This disposition did not have a material impact on the Company's consolidated results of operations, financial position, or liquidity.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts and operations of MTHC and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated 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 herein.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly, liquid investments with original maturities of less than three months at the time of purchase, including the Company's investment in money market funds. The carrying value of cash equivalents approximates fair value.

Investments

Fixed maturity and equity securities are classified as available-for-sale and are carried at fair value with any resulting unrealized gain or loss recorded directly in policyowners' surplus as a component of accumulated other comprehensive income, net of tax and adjustments to deferred policy acquisition costs.

Mortgage loans and policy loans are reported at unpaid balances. Premiums or discounts relating to mortgage loans purchased are amortized, principally over the estimated remaining life of the loans, using the effective-yield method. Impaired loans, those for which the Company determines that it is probable that all amounts due under the contractual terms will not be collected, and real estate that is held for sale are reported at the lower of unpaid principal balance or the fair value of the underlying collateral, less encumbrances and estimated costs to sell.

Short-term investments include investments with maturities of less than one year at the date of acquisition and are reported at cost.

Realized investment gains and losses are determined using the first-in, first-out method.

For equity securities, impairments in value considered to be other than temporary are recorded as a reduction of the cost of the security, and a corresponding realized loss is recognized on the consolidated statements of comprehensive income (loss). The Company recognizes impairment charges after evaluating various subjective and objective factors, such as the financial condition of the issuer, market, industry, and its ability and intent to hold the security to recovery. For debt securities deemed to be other-than-temporarily impaired, recognition in the consolidated financial statements is consistent with the aforementioned policy if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost basis. If neither of these is true, but the Company still does not expect recovery of the entire amortized cost basis, the debt security is written down to fair value with the credit loss portion recognized in earnings and the non-credit portion in other comprehensive income.

2. Significant Accounting Policies (continued)

Deferred Policy Acquisition Costs

The costs directly related to the successful acquisition of new business have been deferred to the extent that such costs are deemed recoverable from future profits. Such costs include commissions, certain bonuses, and certain costs of policy issuance and underwriting.

Costs deferred related to annuities, universal life insurance, and the Company's traditional participating life insurance products are being amortized over the lives of the policies in relation to the present value of the estimated gross profits related to those products. Investment yield assumptions for traditional direct individual life reserves for all contracts range from 4.63% to 5.80%, depending on the time of contract issue. These investment yield assumptions are intended to represent an estimation of the interest rate experience for the period that contract benefits will be paid. Amortization of acquisition costs for other contracts is charged to expense in proportion to premium revenue recognized.

The deferred policy acquisition cost asset is adjusted for the impact on estimated future gross profits as if net unrealized gains and losses on investment securities had been realized at the consolidated balance sheet dates. The impact of this adjustment, net of applicable deferred income taxes, is included in net unrealized gains on investment securities within policyowners' surplus as a component of accumulated other comprehensive income.

Home Office Property, Equipment, and Software

The Company's home office property is recorded at depreciated cost, with depreciation calculated on a straight-line basis over the useful life of the underlying asset. Electronic data-processing equipment and software are reported at depreciated cost with depreciation recorded on a straight-line basis over three years. Accumulated depreciation was $9,248,000 and $11,908,000 at December 31, 2014 and 2013, respectively. Depreciation expense amounted to $1,368,000 and $1,400,000 in 2014 and 2013, respectively.

Corporate-Owned Life Insurance

The Company owns flexible premium universal life insurance policies on certain members of management. The policies are carried on the consolidated balance sheets at cash surrender or contract value, with all changes in value recorded in other income.

2. Significant Accounting Policies (continued)

Premiums

Nearly all of the Company's life insurance policies are participating policies. Participating life insurance policies contain dividend payment provisions that entitle the policyholders to participate in the earnings of the Company. Traditional life insurance premiums, which comprise the majority of premium revenues and immediate annuity premiums, are recognized as premium revenue when due.

Revenues from universal life insurance policies, which are recorded as insurance policy charges on the accompanying consolidated statements of comprehensive income (loss), consist of charges assessed against policyholder account balances for surrender charges, the cost of insurance, and policy administration. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances.

Revenues from investment-type insurance contracts, principally deferred annuity policies without mortality risk and supplementary contracts without life contingencies, consist of investment income earned in excess of the interest credited to the policyholder account balances and policyholder account charges. Liabilities for these policies represent the deposits received, plus accumulated interest.

Investment Income

Interest on fixed maturity securities and performing mortgage loans is recorded as income when earned and is adjusted for any amortization of premium or discount. Interest on restructured mortgage loans is recorded as income when earned based on the contractual rate. Interest on delinquent mortgage loans is recorded as income on a cash basis. Dividends are recorded as income on the ex-dividend dates.

Future Policy Benefit Reserves and Policyholder Account Balances

Future policy benefit reserves for participating life insurance policies are computed on a net level premium basis using the dividend fund interest rate and non-forfeiture mortality rates as specified in the applicable policies.

2. Significant Accounting Policies (continued)

The amount of dividends to be paid on participating life insurance policies is determined annually based on actuarial determinations that take into consideration current mortality, interest earnings, and other expense factors. Dividend expense is recognized over the term of the related policies.

Policyholder account balances represent the net accumulation of funds associated with universal life insurance and investment-type insurance contracts.

Policy and Contract Claims

The liability for policy and contract claims is estimated using individual case-basis evaluations and statistical analyses. These estimates are subject to the effects of trends in claim frequency and severity. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Reinsurance

Reinsurance premiums and benefits incurred are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and benefits incurred are reported net of reinsured amounts.

Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2014, through May 13, 2015, the date the accompanying consolidated financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the consolidated financial statements. On April 8, 2015, Mutual Trust Holding Company entered into a definitive merger agreement to combine Mutual Trust Holding Company and Pan-American Life Mutual Holding Company (Pan-American Life), both mutual insurance holding companies. Upon completion of the merger, the Company will operate as a wholly owned subsidiary of Pan-American Life. The merger is expected to close in the second half of 2015, subject to policyholder and regulatory approvals and customary closing conditions. No other material subsequent events were noted.

2. Significant Accounting Policies (continued)

New Accounting Standards

Going Concern

In August 2014, the Financial Accounting Standards Board (FASB) issued new guidance on the disclosure of uncertainties about an entity's ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, to disclose the fact and what the entity's plans are to alleviate that doubt. The guidance is effective for annual periods ending after December 15, 2016. The Company will adopt the guidance on January 1, 2016. Management currently does not expect the adoption of the new guidance to have an impact on the Company's consolidated financial position or results of operations.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued new accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The new guidance requires that unrecognized tax benefits be presented as a reduction to the related deferred tax asset when a net operating loss, similar tax loss, or tax credit carryforward exists at the reporting date. When the carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the applicable jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The revised guidance is effective for annual and interim periods beginning after December 15, 2014, with early adoption permitted. The revised guidance is effective for the Company as of January 1, 2015. The Company is currently evaluating the impact that this new guidance will have on its consolidated financial statements. Management currently does not expect the adoption of the new guidance to have a material impact on the Company's consolidated financial position or results of operations.

3. Investments

Major categories of net investment income generated by the Company's invested assets are summarized as follows:

	2014	2013
	(In Thousands)	
Investment income:		
Fixed-maturity securities	**$ 65,865**	$ 63,072
Equity securities	**42**	143
Mortgage loans on real estate	**9,282**	11,060
Real estate	**1,573**	2,098
Policy loans	**13,172**	11,926
Other investments	**1,272**	1,380
Total investment income	**91,206**	89,679
Investment expenses	**(7,958)**	(7,382)
Net investment income	**$ 83,248**	$ 82,297

Proceeds from sales of available-for-sale securities during 2014 and 2013 were $90,348,000 and $90,328,000, respectively. Gross gains of $3,766,000 and $5,281,000 and gross losses of $676,000 and $1,116,000 were recognized on these sales in 2014 and 2013, respectively.

3. Investments (continued)

Realized gains and losses on investments are summarized as follows:

	2014	2013
	(In Thousands)	
Bonds:		
Gross realized gains	**$ 4,201**	$ 5,587
Gross realized losses	**(690)**	(1,123)
Other-than-temporary impairments	**(439)**	–
Net realized gains on bonds	**3,072**	4,464
Common stocks:		
Gross realized gains	**328**	–
Gross realized losses	**(118)**	–
Net realized gains on common stocks	**210**	–
Mortgage loans – net	**338**	(1,388)
Real estate – net	**(725)**	–
Other gains/losses – net	**–**	122
Net realized gains	**$ 2,895**	$ 3,198

3. Investments (continued)

Fixed maturity and equity securities are classified as available-for-sale. The fair values of these securities are based on market values provided by independent outside pricing services. The cost or amortized cost and fair value of fixed maturity and equity securities are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
At December 31, 2014				
Fixed maturities:				
U.S. government and agencies	**$ 15,702**	**$ 1,024**	**$ 103**	**$ 16,623**
Foreign securities	**252,367**	**17,693**	**1,590**	**268,470**
States and political subdivisions	**164,700**	**20,513**	**182**	**185,031**
Corporate securities	**724,805**	**54,626**	**2,571**	**776,860**
Asset-backed securities	**47,146**	**679**	**242**	**47,583**
Mortgage-backed securities:				
U.S. government and agencies	**56,574**	**3,037**	**305**	**59,306**
Non-governmental residential	**39,894**	**1,628**	**274**	**41,248**
Non-governmental commercial	**90,715**	**3,160**	**470**	**93,405**
Total fixed maturities	**1,391,903**	**102,360**	**5,737**	**1,488,526**
Equity securities:				
Preferred stock	**500**	**55**	**–**	**555**
International index fund	**1,132**	**65**	**103**	**1,094**
Stock market index fund	**2,267**	**1,357**	**–**	**3,624**
Other common stock	**4,529**	**–**	**–**	**4,529**
Total equity securities	**8,428**	**1,477**	**103**	**9,802**
Total	**$ 1,400,331**	**$ 103,837**	**$ 5,840**	**$ 1,498,328**
At December 31, 2013				
Fixed maturities:				
U.S. government and agencies	$ 15,377	$ 1,043	$ 719	$ 15,701
Foreign securities	238,222	11,464	3,260	246,426
States and political subdivisions	142,290	8,650	3,635	147,305
Corporate securities	706,328	28,695	17,372	717,651
Asset-backed securities	32,244	866	149	32,961
Mortgage-backed securities:				
U.S. government and agencies	58,861	1,830	1,383	59,308
Non-governmental residential	38,730	1,026	726	39,030
Non-governmental commercial	97,470	4,526	2,280	99,716
Total fixed maturities	1,329,522	58,100	29,524	1,358,098
Equity securities:				
Preferred stock	500	–	15	485
International index fund	2,335	102	139	2,298
Stock market index fund	3,190	1,366	–	4,556
Other common stock	1,085	–	–	1,085
Total equity securities	7,110	1,468	154	8,424
Total	$ 1,336,632	$ 59,568	$ 29,678	$ 1,366,522

3. Investments (continued)

The amortized cost and fair value of fixed maturity securities at December 31, 2014, by stated maturities, are as follows. Expected maturities may differ from stated maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
Years of maturity:		
One or less	$ 24,135	$ 24,473
After one through five	141,305	150,192
After five through ten	428,629	451,251
After ten	563,504	621,068
Asset- and mortgage-backed securities	234,330	241,542
	$ 1,391,903	$ 1,488,526

At December 31, 2014, investments with a carrying value of $6,494,000 were on deposit with state insurance departments to satisfy regulatory requirements.

3. Investments (continued)

For temporarily impaired securities, the following table illustrates the fair values and gross unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(In Thousands)			
At December 31, 2014						
Fixed maturities:						
U.S. government and agencies	**$ –**	**$ –**	**$ 4,828**	**$ 103**	**$ 4,828**	**$ 103**
Foreign securities	**18,766**	**887**	**20,464**	**703**	**39,230**	**1,590**
States and political subdivisions	**2,396**	**12**	**8,559**	**170**	**10,955**	**182**
Corporate securities	**45,758**	**899**	**41,873**	**1,672**	**87,631**	**2,571**
Asset-backed securities	**19,355**	**238**	**996**	**4**	**20,351**	**242**
Mortgage-backed securities:						
U.S. government and agencies	**930**	**3**	**5,871**	**302**	**6,801**	**305**
Non-governmental residential	**8,599**	**117**	**3,135**	**157**	**11,734**	**274**
Non-governmental commercial	**6,844**	**56**	**24,377**	**414**	**31,221**	**470**
Total fixed maturities	**102,648**	**2,212**	**110,103**	**3,525**	**212,751**	**5,737**
Equity securities:						
International index fund	**645**	**103**	**–**	**–**	**645**	**103**
Total equity securities	**645**	**103**	**–**	**–**	**645**	**103**
Total temporarily impaired securities	**$ 103,293**	**$ 2,315**	**$ 110,103**	**$ 3,525**	**$ 213,396**	**$ 5,840**
At December 31, 2013						
Fixed maturities:						
U.S. government and agencies	$ 5,657	$ 688	$ 115	$ 31	$ 5,772	$ 719
Foreign securities	65,219	3,083	2,847	177	68,066	3,260
States and political subdivisions	43,557	3,441	1,337	194	44,894	3,635
Corporate securities	248,304	13,429	28,073	3,944	276,377	17,373
Asset-backed securities	12,429	149	–	–	12,429	149
Mortgage-backed securities:						
U.S. government and agencies	20,026	1,364	68	20	20,094	1,384
Non-governmental residential	17,395	722	207	3	17,602	725
Non-governmental commercial	36,816	2,096	1,468	183	38,284	2,279
Total fixed maturities	449,403	24,972	34,115	4,552	483,518	29,524
Equity securities:						
Preferred stock	485	15	–	–	485	15
International index fund	1,763	139	–	–	1,763	139
Total equity securities	2,248	154	–	–	2,248	154
Total temporarily impaired securities	$ 451,651	$ 25,126	$ 34,115	$ 4,552	$ 485,766	$ 29,678

3. Investments (continued)

At December 31, 2014, the Company had 148 fixed maturity securities in a continuous unrealized loss position for 12 months or less and 110 fixed maturity securities in a continuous unrealized loss position for more than 12 months. Management regularly reviews the value of the Company's investments. If the value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the following are some of the factors considered:

- How long and by how much the fair value has been below its cost
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential
- Any downgrades of the security by a rating agency
- Any reduction or elimination of dividends or non-payment of scheduled interest payments
- For equity securities, if management has the ability and intent to hold these investments until a recovery of fair value given the near-term prospects of the investment in relation to the severity and duration of the impairment
- For debt securities, if management intends to sell the security, if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, or if the Company does not expect recovery of the entire amortized cost basis

Based on that analysis, management makes a judgment as to whether the loss is other-than-temporary. If the loss is deemed other-than-temporary, an impairment charge is recorded within net realized investment on the consolidated statements of comprehensive income (loss) in the period the determination is made. The Company recorded other-than-temporary impairment charges on available-for-sale, fixed maturity securities of $439,000 and $0 in 2014 and 2013, respectively.

3. Investments (continued)

Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. ASC 820 establishes a three-level hierarchy in the determination of fair value, which is based on the priority of the inputs to the valuation technique. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of the hierarchy are defined as follows:

- Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical financial instruments.

- Level 2 – Valuations are based on quoted market prices, 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.

The Company's Level 1 securities consist of equity securities traded on major stock exchanges. The Company's Level 2 securities consist of non-private placement bonds, certain private placement bonds more actively traded, certain equity securities, and certain surplus/capital notes, all of which are priced principally through independent pricing services. Management reviews the valuation methodologies used by the pricing services on an ongoing basis and ensures that any valuation methodologies are justified. The Company's Level 3 securities consist primarily of private placement bonds that are not priced by independent pricing services due to their illiquid, restrictive nature. Consistent with industry practice, the Company relies on pricing models utilized by its investment managers with inputs that are not market observable. These models typically discount the expected future cash flows of the security using a market rate determined through comparison to similar publicly traded bonds (typically by credit quality, duration, and sector), adjusted for any distinctive characteristics of the individual security and an appropriate illiquidity premium.

3. Investments (continued)

The following table presents the categorization of the Company's financial assets measured at fair value on a recurring basis on the consolidated balance sheets:

	Level 1	Level 2	Level 3	Total Fair Value
		(In Thousands)		
At December 31, 2014				
Fixed maturities:				
U.S. government and agencies	**$ –**	**$ 16,623**	**$ –**	**$ 16,623**
Foreign securities	**–**	**113,165**	**155,305**	**268,470**
States and political subdivisions	**–**	**185,031**	**–**	**185,031**
Corporate securities	**–**	**480,841**	**296,019**	**776,860**
Asset-backed securities	**–**	**47,085**	**498**	**47,583**
Mortgage-backed securities:				
U.S. government and agencies	**–**	**59,306**	**–**	**59,306**
Non-governmental residential	**–**	**41,248**	**–**	**41,248**
Non-governmental commercial	**–**	**93,405**	**–**	**93,405**
Total fixed maturities	**–**	**1,036,704**	**451,822**	**1,488,526**
Equity securities:				
Preferred stock	**555**	**–**	**–**	**555**
International index fund	**1,094**	**–**	**–**	**1,094**
Stock market index fund	**3,624**	**–**	**–**	**3,624**
Other common stock	**1,084**	**3,445**	**–**	**4,529**
Total equity securities	**6,357**	**3,445**	**–**	**9,802**
Other invested assets	**–**	**22,688**	**–**	**22,688**
Total	**$ 6,357**	**$ 1,062,837**	**$ 451,822**	**$ 1,521,016**
At December 31, 2013				
Fixed maturities:				
U.S. government and agencies	$ –	$ 15,701	$ –	$ 15,701
Foreign securities	–	107,751	138,675	246,426
States and political subdivisions	–	147,305	–	147,305
Corporate securities	–	431,872	285,779	717,651
Asset-backed securities	–	31,945	1,016	32,961
Mortgage-backed securities:				
U.S. government and agencies	–	59,308	–	59,308
Non-governmental residential	–	39,030	–	39,030
Non-governmental commercial	–	99,716	–	99,716
Total fixed maturities	–	932,628	425,470	1,358,098
Equity securities:				
Preferred stock	485	–	–	485
International index fund	2,298	–	–	2,298
Stock market index fund	4,556	–	–	4,556
Other common stock	1,085	–	–	1,085
Total equity securities	8,424	–	–	8,424
Other invested assets	–	21,029	2,101	23,130
Total	$ 8,424	$ 953,657	$ 427,571	$ 1,389,652

3. Investments (continued)

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Certain securities trade in less-liquid markets with limited or no pricing information, and the determination of fair value for these securities is inherently more difficult. There were no transfers between levels during 2014 or 2013. The following table summarizes changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy:

	Foreign Securities	Corporate Securities	Asset-Backed Securities	Non-Governmental Commercial MBS	Other Invested Assets
			(In Thousands)		
Fair value at January 1, 2013	$ 130,785	$ 263,499	$ 9,954	$ 59	$ –
Transfers in (out)	–	–	–	–	–
Items included in net loss – net amortization	3	18	–	–	–
Unrealized holding gains in accumulated other comprehensive income	5,614	11,978	67	–	2,101
Realized holding gains	145	73	–	–	–
Purchases	16,960	19,139	–	–	–
Sales, maturities, settlements, and calls	(14,832)	(8,928)	(9,005)	(59)	–
Fair value at December 31, 2013	138,675	285,779	1,016	–	2,101
Transfers in (out)	**–**	**–**	**–**	**–**	**–**
Items included in net loss – net amortization	**(1)**	**48**	**–**	**–**	**–**
Unrealized holding gains in accumulated other comprehensive income	**10,019**	**20,717**	**28**	**–**	**–**
Realized holding gains	**27**	**30**	**–**	**–**	**–**
Purchases	**20,608**	**27,898**	**–**	**–**	**–**
Sales, maturities, settlements, and calls	**(14,023)**	**(38,453)**	**(546)**	**–**	(2,101)
Fair value at December 31, 2014	**$ 155,305**	**$ 296,019**	**$ 498**	**$ –**	**$ –**

3. Investments (continued)

Mortgage Loans and Real Estate

The Company invests in mortgage loans collateralized by commercial real estate. The aggregate mortgages outstanding to any one borrower do not exceed $5,780,000. During 2014, the respective maximum and minimum lending rates for new mortgage loans were 5.0% and 4.75%, respectively. At the issuance of a loan, the percentage of any one loan-to-value of security, exclusive of insured, guaranteed, or purchase money mortgages, does not exceed 75%. At December 31, 2014, loan value of $30,910,000 (24.1%), $24,262,000 (18.9%), and $11,564,000 (9.0%) of such mortgages was located in the states of Illinois, Michigan, and Georgia, respectively. In keeping with the Company's investment policies, these mortgages are diversified among commercial property types.

In 2014, the Company deemed no mortgage loans were other-than-temporarily impaired. In 2013, the Company deemed certain mortgage loans were other-than-temporarily impaired As such, these loans were written down to fair value less encumbrances and estimated selling costs, which resulted in realized losses of $1,425,000 in 2013. As of December 31, 2014 and 2013, the Company had investments in impaired mortgage loans of $6,557,000 and $8,701,000, respectively. As of December 31, 2014 and 2013, mortgage loans totaling $4,579,000 and $4,715,000, respectively, are classified as restructured loans. These loans are classified as restructured due to temporary principal moratoriums previously granted, with no concessions on interest rate or interest payments. No impairment charges were recorded on these loans due to the fair value less encumbrance and estimated selling costs exceeding carrying value. As of December 31, 2014, these loans are currently paying principal and interest.

In 2013, the Company transferred two properties with a total carry value of $3,107,000 to held-for-sale real estate. In 2014, the Company transferred no properties to held-for-sale real estate. During 2014, the Company sold one property previously classified as held-for-sale real estate, recognizing a realized gain of $251,000. In 2014, the Company recorded other-than-temporary impairments of $976,000 on two properties previously classified as held-for-sale real estate.

3. Investments (continued)

The Company has established a valuation allowance against its portfolio of mortgage loans, which is maintained at a level considered adequate by management to absorb estimated probable credit losses, as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**$ 1,323**	$ 1,360
Change in estimate for mortgage loan credit losses	**(338)**	1,388
Less write-downs charged against the allowance	**–**	(1,425)
Balance at end of year	**$ 985**	$ 1,323

4. Deferred Acquisition Costs

An analysis of the changes in the deferred policy acquisition cost asset is as follows:

	2014	2013
	(In Thousands)	
Deferred policy acquisition costs, beginning of year	**$ 157,735**	$ 94,830
Capitalized	**21,896**	31,108
Amortization	**(23,644)**	(18,755)
Change in offset for unrealized (gains) losses on investment securities	**(35,417)**	50,552
Deferred policy acquisition costs, end of year	**$ 120,570**	$ 157,735

5. Reinsurance

Certain risks are reinsured with other insurance companies under various reinsurance agreements. The Company in all cases remains liable to its policyholders and beneficiaries. These agreements principally provide the Company with increased capacity to write larger risks. Reinsurance has reduced premiums by $41,669,000 and $40,826,000 and benefits incurred by $20,820,000 and $18,191,000 in 2014 and 2013, respectively. The amount of reinsurance recoverable on paid and unpaid losses was $4,973,000 and $7,530,000 at December 31, 2014 and 2013, respectively.

6. Federal Income Taxes

The Company files a consolidated federal income tax return. The Company made net income tax payments of $2,404,000 and $1,700,000 in 2014 and 2013, respectively.

The Company's income tax expense differs from the amount obtained by applying the U.S. statutory corporate rate of 34% to income before federal income taxes primarily as a result of adjustments to prior year taxes, which are deemed to be changes in estimates.

The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes. During 2014 and 2013, no interest or penalties were paid as a result of uncertain positions. As of December 31, 2014, the Company has not recorded any liability for uncertain tax positions.

Tax years 2010 and subsequent remain subject to federal and state examination.

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and liabilities at December 31 are as follows (in thousands):

	2014	2013
Deferred tax assets:		
Policy liabilities and reserves	**$ 11,012**	$ 13,923
Employee benefits	**1,832**	2,013
Pension liability	**2,600**	1,451
Postretirement benefits liability	**1,667**	2,097
Policyholder dividends	**1,248**	1,258
Net operating loss carryforward	**303**	147
Other-than-temporary impairments	**(353)**	478
Other, net	**900**	(1,536)
Total deferred tax assets	**19,209**	19,831
Deferred tax liabilities:		
Deferred policy acquisition costs	**(18,904)**	(33,173)
Investments, unrealized gains	**(33,708)**	(10,347)
Other, net	**(2,187)**	–
Total deferred tax liabilities	**(54,799)**	(43,520)
Net deferred tax liability	**$ (35,590)**	$ (23,689)

6. Federal Income Taxes (continued)

A valuation allowance was not required in 2014 or 2013.

The Company has non-life net operating loss carryforwards of $891,000 that will expire beginning in 2030. The Company does not have any capital loss carryforwards.

7. Accumulated Other Comprehensive Income

The after-tax components of accumulated other comprehensive income are as follows:

	Unrealized Gain on Securities	Underfunded Status of Postretirement Benefits Plan	Underfunded Status of Pension Plan	Accumulated Other Comprehensive Income
		(In Thousands)		
Balance as of January 1, 2013	$ 40,929	$ (484)	$ (5,135)	$ 35,310
Net change in period	(27,117)	484	2,318	(24,315)
Balance as of December 31, 2013	13,812	–	(2,817)	10,995
Net change in period	**21,973**	–	**(2,231)**	**19,742**
Balance as of December 31, 2014	**$ 35,785**	**$ –**	**$ (5,048)**	**$ 30,737**

8. Debt

During 2003, MTLH purchased all the common stock of MTL Statutory Trust I (the Trust), a newly formed Connecticut business trust, for $310,000. The Trust issued $10,000,000 in trust preferred securities with the proceeds being used to purchase $10,310,000 of long-term subordinated debentures issued by MTLH. Of the proceeds received by MTLH, $9,700,000 was then transferred to MTL as a contribution to surplus. The Illinois Department of Insurance (Department) approved the various transactions associated with the issuance of the trust preferred securities. The Trust is considered a variable interest entity under ASC 810, *Consolidation*, but is not consolidated in the financial statements since the Company is not the primary beneficiary. The debentures mature in 2033 and accrue interest at a quarterly floating rate equal to the three-month LIBOR (0.26% at December 31, 2014) plus 4.10%, which is paid quarterly. The Company made interest payments of $453,000 and $458,000 related to the debentures in 2014 and 2013, respectively.

8. Debt (continued)

In August 2011, the Company entered into a funding agreement with the Federal Home Loan Bank of Chicago (FHLB) whereby the Company received an advance of $10,000,000, which it has included on the consolidated balance sheets as long-term debt. The Company is using the funds in an operating leverage and investment spread capacity. The funding agreement was rolled over in August 2013. The advance has a term of two years and accrues interest at an annual fixed rate of 0.63%, which is paid monthly. The Company has pledged ten securities with a total carrying value of $10,278,000 as of December 31, 2014, as collateral on this funding agreement. The total credit capacity based on the collateral pledged is $10,278,000 as of December 31, 2014. The remaining credit availability as of December 31, 2014, is $278,000. The potential advance availability based on the 10,839 shares of FHLB stock the Company owns is $21,678,000. The Company made interest payments of $64,000 and $56,000 related to the advance in 2014 and 2013, respectively.

In March 2013, the Company entered into a surplus note agreement with a third party whereby the Company received $30,000,000 of cash, which the Company has included on the consolidated balance sheets as long-term debt. The note matures on March 15, 2028, and accrues interest at an annual fixed rate of 6.25%. Interest expense for the year ended December 31, 2014, for the surplus note was $1,875,000, and no principal has been paid down per the terms of the agreement.

9. Employee Benefit Plans

Defined-Benefit Pension Plan

The Company has a non-contributory, defined-benefit pension plan (pension plan) that was previously open to substantially all of its home office employees. Effective January 1, 2007, the Company froze the accrual of all future benefits in the pension plan. As such, there will be no new participants and no future accruals for current participants. Pension benefits are based on the participant's average monthly compensation and length of credited service. The Company's funding policy is to make contributions as required by applicable regulations, including the normal cost of benefits provided. The Company uses December 31 as the measurement date for the plan.

9. Employee Benefit Plans (continued)

The components of the net periodic pension cost for the pension plan consist of the following:

	2014	2013
	(In Thousands)	
Components of net periodic pension cost:		
Interest cost	**$ 958**	$ 879
Expected return on plan assets	**(1,186)**	(1,082)
Amortization of loss	**302**	697
Total net periodic pension cost	**$ 74**	$ 494

The following tables set forth the pension plan's funded status and the amounts recognized at December 31 on the Company's consolidated balance sheets:

	2014	2013
	(In Thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at January 1	**$ 20,748**	$ 23,061
Interest cost	**958**	880
Benefit payments	**(1,439)**	(1,381)
Actuarial loss (gain)	**3,496**	(1,812)
Projected benefit obligation at December 31	**$ 23,763**	$ 20,748
Change in plan assets:		
Fair value of plan assets at January 1	**$ 17,238**	$ 15,722
Actual return on assets, net of expenses	**1,055**	2,087
Employer contribution	**2,273**	810
Benefit payments	**(1,439)**	(1,381)
Fair value of plan assets at December 31	**$ 19,127**	$ 17,238
Reconciliation of funded status:		
Funded status – underfunded	**$ (4,636)**	$ (3,510)
Unrecognized net loss	**7,597**	4,270
Net amount recognized	**$ 2,961**	$ 760
Amounts recognized on the consolidated balance sheets:		
Other liabilities	**$ (4,636)**	$ (3,510)
Accumulated other comprehensive income	**7,597**	4,270
Net amount recognized	**$ 2,961**	$ 760

9. Employee Benefit Plans (continued)

The projected benefit obligation and the accumulated benefit obligation are $23,763,000 and $20,748,000, respectively, at both December 31, 2014 and 2013.

The following weighted-average assumptions were used to determine the benefit obligation and net benefit cost:

	2014	2013
Discount rate (benefit obligation)	**4.05%**	4.80%
Discount rate (net benefit cost)	**4.80**	4.00
Expected return on plan assets (benefit obligation)	**6.50**	7.00
Expected return on plan assets (net benefit cost)	**7.00**	7.00

The Company considers historical experience for comparable investments and the Company's target allocations for the various asset categories of the pension plan to determine the expected long-term rate of return, which is an assumption as to the average rate of earnings expected on the pension plan funds invested, or to be invested, by the pension plan, to provide for the settlement of benefits included in the projected pension benefit obligation. Investment securities, in general, are exposed to various risks, such as fluctuating interest rates, credit standing of the issuer of the security, and overall market volatility. Annually, the Company performs an analysis of expected long-term rates of return based on the composition and allocation of its pension plan assets and recent economic conditions. The Company uses an external actuarial firm to verify that the expected long-term rate of return is reasonable.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the pension plan (in thousands):

2015	$ 1,510
2016	1,490
2017	1,460
2018	1,440
2019	1,400
2020 to 2024	7,310
	$ 14,610

9. Employee Benefit Plans (continued)

In October 2014, the Society of Actuaries finalized a new mortality table and a new mortality improvement scale. These updated tables reflect improved life expectancies and an expectation that the trend will continue. The Company has reviewed these updated tables and has updated the mortality assumptions based on this information and also based on research provided by its external actuaries.

The pension plan's weighted-average asset allocation at December 31 by asset category, is as follows:

	2014	2013
Equity securities	**75%**	75%
Fixed income securities	**25**	25
	100%	100%

The Company uses December 31 as the measurement date for the fair value of pension plan assets. Plan assets are invested in various common collective trusts. If classified in the hierarchy defined in ASC 820, the Company's pension plan assets would be considered Level 2, as pricing is based on quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument (e.g., market interest rates and volatilities, spreads, and yield curves). The fair values of the units owned by the pension plan in common collective trusts are based on the net asset values at December 31. These net asset values are derived principally from the quoted prices of the underlying assets, which are a mix of Level 1 and 2 stocks and bonds priced principally through independent pricing services. Management reviews the valuation methodologies used by the pricing services on an ongoing basis and ensures that any valuation methodologies are justified. The plan's investment policy provides that investments shall be allocated in a manner designed to provide a long-term investment return greater than the actuarial assumptions, maximize investment return commensurate with risk, and comply with the Employee Retirement Income Security Act of 1974 (ERISA) by investing in the funds in a manner consistent with ERISA's fiduciary standards. The Company does not expect to contribute to the plan in 2015, subject to the maximum tax deduction that is allowed by the Internal Revenue Code.

9. Employee Benefit Plans (continued)

The following table presents the categorization of pension plan assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total Fair Value
		(In Thousands)		
At December 31, 2014				
Common collective trusts:				
Russell 3000 index fund	**$ –**	**$ 7,545**	**$ –**	**$ 7,545**
Passive bond market index fund	**–**	**4,794**	**–**	**4,794**
International allocation fund	**–**	**2,849**	**–**	**2,849**
Real asset common trust fund	**–**	**1,900**	**–**	**1,900**
Intermediate U.S. credit index fund	**–**	**1,918**	**–**	**1,918**
Money market fund	**–**	**121**	**–**	**121**
Total	**$ –**	**$ 19,127**	**$ –**	**$ 19,127**
At December 31, 2013				
Common collective trusts:				
Russell 3000 index fund	$ –	$ 6,861	$ –	$ 6,861
Passive bond market index fund	–	4,273	–	4,273
International allocation fund	–	2,574	–	2,574
Real asset common trust fund	–	1,706	–	1,706
Intermediate U.S. credit index fund	–	1,709	–	1,709
Money market fund	–	115	–	115
Total	$ –	$ 17,238	$ –	$ 17,238

9. Employee Benefit Plans (continued)

Postretirement Benefits

The Company provides certain health care benefits for retired employees (postretirement benefits). Substantially all vested employees may become eligible for these benefits if they reach retirement age while working for the Company. The plan provides for all future retirees to be directed to a Medicare HMO plan upon reaching age 65. The Company uses December 31 as the measurement date for the plan.

The components of the net periodic postretirement benefit cost consist of the following:

	2014	**2013**
	(In Thousands)	
Service cost – benefits earned during the year	**$ –**	$ 21
Interest cost on benefit obligation	**47**	62
Amortization of actuarial amounts and other	**(45)**	(470)
Net periodic postretirement benefit cost (income)	**$ 2**	$ (387)

9. Employee Benefit Plans (continued)

The following tables set forth the plan's funded status and the amounts recognized at December 31 on the Company's consolidated balance sheets:

	2014	2013
	(In Thousands)	
Change in benefit obligation:		
Benefit obligation at January 1	**$ 1,200**	$ 2,074
Service cost	**–**	21
Interest cost	**47**	62
Plan participant contributions	**6**	21
Plan amendments	**–**	(419)
Benefit payments	**(102)**	(151)
Actuarial gains	**51**	(408)
Benefit obligation at December 31	**$ 1,202**	$ 1,200
Change in plan assets:		
Fair value of plan assets at January 1	**$ –**	$ –
Employer contribution	**96**	130
Plan participant contributions	**6**	21
Benefit payments	**(102)**	(151)
Fair value of plan assets at December 31	**$ –**	$ –
Reconciliation of funded status:		
Funded status – underfunded	**$ (1,202)**	$ (1,200)
Prior service cost	**–**	–
Net actuarial losses	**–**	–
Net amount recognized	**$ (1,202)**	$ (1,200)
Amounts recognized on the consolidated balance sheets:		
Other liabilities	**$ (1,202)**	$ (1,200)
Accumulated other comprehensive income	**–**	–
Net amount recognized	**$ (1,202)**	$ (1,200)

9. Employee Benefit Plans (continued)

The discount rate used to measure the accumulated postretirement benefit obligation was 3.55% and 4.10% at December 31, 2014 and 2013, respectively. The discount rate used to measure the net periodic postretirement benefit cost was 4.10% and 3.55% for 2014 and 2013, respectively. For measurement purposes, a 6.50% annual rate of increase in the per capita cost of covered health care benefits for post-age 64 participants was assumed for 2014, decreasing gradually to 5.00% by 2021, and remaining at that level thereafter.

Increasing or decreasing the assumed health care cost trend rate assumption by 1% point in each year would increase (decrease) the accumulated postretirement benefit obligation as of December 31, 2014, by $87,000 and $(78,000), respectively, and the estimated service and interest cost components of the net periodic postretirement benefit cost for 2014 by $3,000 and $(3,000), respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the postretirement benefit plan (in thousands):

2015	$ 108
2016	108
2017	107
2018	105
2019	102
2020 to 2024	454
	$ 984

Defined-Contribution Plan

The Company sponsors a defined-contribution plan for all eligible employees. The plan is a 401(k)/profit-sharing plan that includes a matching contribution of 50% of the first 6% of base compensation that a participant contributes to the plan and discretionary and profit-sharing components that are determined at the discretion of the Company's Board of Directors. The Company recognized an expense of $535,000 and $687,000 in 2014 and 2013, respectively, related to this plan.

9. Employee Benefit Plans (continued)

Other Benefit Plans

The Company also provides retirement benefits for agents under a deferred compensation plan. Subject to certain production requirements, the Company matches up to 5% of commissions earned by agents. The Company contributed and expensed $79,000 and $112,000 in 2014 and 2013, respectively, related to the match.

10. Statutory Capital and Surplus

MTHC and MTL also prepare statutory financial statements in conformity with accounting practices prescribed or permitted by the Department, which vary, in some respects, from GAAP. Statutory accounting is primarily focused on solvency and surplus adequacy. Therefore, fundamental differences exist between statutory and GAAP accounting.

MTHC's statutory-basis capital and surplus was $1,772,000 and $1,778,000 at December 31, 2014 and 2013, respectively. MTHC's statutory-basis net loss was $(6,000) and $(5,000) in 2014 and 2013, respectively. MTL's statutory-basis capital and surplus was $132,023,000 and $127,816,000 at December 31, 2014 and 2013, respectively. MTL's statutory-basis net income was $7,539,000 and $1,956,000 in 2014 and 2013, respectively. Both MTHC's and MTL's capital and surplus exceeds regulatory requirements at December 31, 2014 and 2013.

11. Fair Values of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	(In Thousands)			
Assets				
Fixed maturity securities	**$1,488,526**	**$1,488,526**	$1,358,098	$1,358,098
Equity securities	**9,802**	**9,802**	8,424	8,424
Mortgage loans on real estate	**127,265**	**131,218**	158,423	164,463
Real estate, held-for-sale	**3,450**	**3,450**	4,855	4,855
Policy loans	**263,255**	**263,255**	252,623	252,623
Short-term investments	**21,282**	**21,282**	22,875	22,875
Other invested assets	**21,244**	**22,688**	20,646	21,029
Cash	**1,209**	**1,209**	4,266	4,266
Corporate-owned life insurance	**19,116**	**19,116**	19,203	19,203
Liabilities				
Annuities (accumulation)	**164,951**	**164,504**	171,696	171,170
Annuities (on benefits)	**22,657**	**27,896**	23,849	28,409
Dividend accumulations	**28,660**	**28,660**	30,439	30,439
Long-term debt	**50,857**	**50,669**	50,857	50,669

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Short-Term Investments: The carrying amounts reported on the consolidated balance sheets for these instruments approximate their fair values.

Investment Securities: Fair values of bonds and preferred and unaffiliated common stocks are based on quoted market prices provided to the Company by independent pricing services if available. Fair values for securities that are not actively traded are provided by nationally recognized independent pricing services that employ various pricing methods and types of modeling that use benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Typical market inputs include benchmark yields; reported trades;

11. Fair Values of Financial Instruments (continued)

broker/dealer quotes from market makers or recognized market participants; issuer spreads; benchmark securities; bids; offers; reference data, including market research publications; and industry and economic events. The Company has obtained an understanding of the methods, models, and inputs used by the independent pricing services to validate the amounts provided as a representation of current fair values.

If an independent pricing service is unable to provide the fair value for a security due to insufficient market information, such as a private placement transaction, the Company uses fair values derived by Prudential Capital Group (Prudential) and Advantus Capital Management (Advantus), its primary managers of private placement securities in its portfolio. The valuation methods used by these managers are similar in that an internal credit rating is assigned to each private placement, since in most cases the private placements are not rated by a nationally recognized statistical rating organization, but the underlying method for making that credit assessment is similar to those reported by the independent rating agencies.

In the case of Prudential, a survey is conducted monthly of bankers to determine investment-grade private spreads by quality and maturity levels. That spread matrix is then compared against a public spread matrix, and in no case can the private spread be less than 15 basis points greater than the public spread. The matrix is then supplemented with sector specific add-ons. The add-ons are derived from Barclays U.S. Credit Index data. In addition, there may be an issue-specific spread add-on for particular credits if the sum of the previously mentioned spread components is less than the original spread at purchase. That security-specific spread add-on is included in the security's spread until maturity and is only reevaluated if a quality rating is changed or if a subsequent loan to the issuer is made. Prudential utilizes a proprietary option model in calculating the value of prepayment and other options.

In the case of Advantus, a public corporate spread matrix is developed using spread information from the Barclays Capital U.S. Corporate Index. That information is categorized by credit quality, maturity, and broad sector (industrial, utility, and financial). A private premium spread is then added to the public spread based on the structure of the security — traditional or structured. The spread of each premium is derived from recent spread information for offered and placed traditional and specialty-type private placements relative to public corporate bond alternatives. In the case of both managers, software is used to

11. Fair Values of Financial Instruments (continued)

calculate the associated prices using a discounted cash flow application for each private placement applying the spread data described above to the month-end closing yield curve that takes into account the maturity date, coupon rate, cash flows, etc.

Mortgage Loans: Fair values for the Company's mortgage loans are estimated by discounting future cash flows using an interest rate for similar mortgage loans issued at the balance sheet date.

Real Estate: Properties that the Company has the intent to sell are carried on the balance sheets at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property. Fair value is determined through acceptable appraisal methodologies, which represent the price that a property would bring in a competitive and open market under all conditions requisite to a fair sale.

Policy Loans: The Company believes the best estimate of the fair value of policy loans is equal to their respective carrying amount.

Other Invested Assets: Other invested assets consist primarily of a limited partnership, which is carried on the equity method, which is the Company's pro rata share of the underlying audited GAAP equity of the entity. The Company believes that the equity method approximates fair value. Surplus/capital notes are also included within other invested assets with fair values based on market values provided by reputable, independent pricing services.

Corporate-Owned Life Insurance: The policies are carried at cash surrender or contract value, which approximates their fair values.

Investment-Type Insurance Contracts: Fair values for the Company's liabilities under investment-type insurance contracts are estimated using present values of future benefit payments based on the contingencies of withdrawal, annuitization, and current interest rates.

Dividend Accumulations: The fair values disclosed for dividend accumulations are, by definition, equal to the amount of dividend accumulations payable on demand at the reporting date.

Long-Term Debt: The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

11. Fair Values of Financial Instruments (continued)

Quantitative Information Regarding Level 3 Assets

Additional discussion on the Company's determination of fair value for financial instruments carried at fair value on the consolidated balance sheets can be found in Note 3. Fair values of the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

The following table provides quantitative information about the significant unobservable inputs used in the fair value measurements developed by the Company's investment managers of Level 3 private placement fixed maturity securities as of December 31, 2013:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average)	Impact of Increase in Input on Fair Value
	(In Thousands)				
Corporate and foreign:					
Managed by Advantus	$ 153,290	Discounted cash flow	Yield/spread to U.S. Treasuries[1]	0.52%–3.85% (1.44%)	Increase
Managed by Prudential	298,034	Discounted cash flow	Yield/spread to U.S. Treasuries[1]	0.63%–10.07% (1.61%)	Increase
Asset- and mortgage-backed:					
Managed by Prudential	498	Discounted cash flow	Yield/spread to U.S. Treasuries[1]	0.63%–10.07% (1.61%)	Decrease

[1] The yield/spread to U.S. Treasuries input represents an estimated market participant composite adjustment attributable to liquidity premiums, expected durations, structures, and credit quality that would be applied to the market-observable information of an investment.

12. Commitments and Contingencies

The Company is occasionally a defendant in various legal actions. The Company's management believes that the resolution of these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

At December 31, 2014, the Company had $1,200,000 in outstanding commitments to fund mortgage loan investments.

Periodically, the Company is assessed by various state guaranty funds, as part of those funds' activities, to collect funds from solvent insurance companies to cover certain losses that resulted from the insolvency or rehabilitation of other insurance companies. The Company records a liability for future guaranty fund assessments based upon known insolvencies. The amount accrued for guaranty fund assessments was $50,000 and $75,000 at December 31, 2014 and 2013, respectively.

Consolidated Financial Statements

Mutual Trust Holding Company and Subsidiaries
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Mutual Trust Holding Company and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Contents

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Report of Independent Auditors

The Board of Directors
Mutual Trust Holding Company

We have audited the accompanying consolidated financial statements of Mutual Trust Holding Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive (loss) income, changes in policyowners' surplus and cash flows for the years then ended, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mutual Trust Holding Company and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

May 12, 2014

Mutual Trust Holding Company and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2013	**2012**
Assets		
Invested assets:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $1,329,522 and $1,198,823, respectively)	**$ 1,358,098**	$ 1,319,726
Equity securities, at fair value (cost of $6,562 and $7,331, respectively)	**8,424**	7,419
Mortgage loans on real estate (net of allowance of $1,323 and $1,360, respectively)	**158,423**	188,485
Real estate, held-for-sale	**4,855**	1,748
Policy loans	**252,623**	236,298
Short-term investments	**22,875**	33,230
Other invested assets	**20,646**	12,949
Total invested assets	**1,825,944**	1,799,855
Cash	**4,266**	10,812
Accrued investment income	**14,552**	14,356
Deferred policy acquisition costs	**157,735**	94,830
Home office property, equipment, and software, net	**12,594**	9,247
Reinsurance recoverables	**63,476**	46,353
Income taxes recoverable	**2,253**	339
Corporate-owned life insurance	**19,203**	19,741
Other assets	**4,164**	7,001
Total assets	**$ 2,104,187**	$ 2,002,534
Liabilities and policyowners' surplus		
Future policy benefit reserves	**$ 1,411,207**	$ 1,299,322
Policyholder account balances	**281,749**	290,679
Policy and contract claims	**10,311**	12,133
Dividend accumulations	**30,439**	31,830
Net deferred tax liability	**23,689**	30,660
Long-term debt	**50,857**	20,310
Other liabilities	**38,301**	45,190
Total liabilities	**1,846,553**	1,730,124
Policyowners' surplus:		
Unassigned surplus	**246,639**	237,100
Accumulated other comprehensive income	**10,995**	35,310
Total policyowners' surplus	**257,634**	272,410
Total liabilities and policyowners' surplus	**$ 2,104,187**	$ 2,002,534

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Comprehensive (Loss) Income

(In Thousands)

	Year Ended December 31	
	2013	**2012**
Revenues:		
Premiums	**$ 190,650**	$ 207,497
Net investment income	**82,297**	81,432
Insurance policy charges	**5,130**	4,992
Realized investment gains	**3,198**	14,565
Other income	**3,884**	5,183
Total revenues	**285,159**	313,669
Benefits and expenses:		
Benefits incurred	**193,060**	208,546
Interest credited to policyholder account balances	**11,633**	12,089
Dividends to policyholders	**9,720**	13,020
General expenses (net of amounts deferred of $2,477 and $4,805, respectively)	**32,649**	27,705
Commissions (net of amounts deferred of $28,630 and $24,949, respectively)	**4,203**	5,665
Amortization of deferred policy acquisition costs	**18,755**	23,716
Total benefits and expenses	**270,020**	290,741
Income before income taxes	**15,139**	22,928
Income taxes:		
Current	**36**	7,386
Deferred	**5,564**	504
	5,600	7,890
Net income	**9,539**	15,038
Other comprehensive (loss) income:		
Change in unrealized gains on securities (net of adjustment to deferred policy acquitision costs and taxes of $(13,970) and $6,120, respectively)	**(27,117)**	11,881
Adjustment to underfunded status of pension plan (net of taxes of $1,194 and $583, respectively)	**2,318**	443
Adjustment to underfunded status of postretirement benefits plan (net of taxes of $249 and $114, respectively)	**484**	221
Total other comprehensive (loss) income	**(24,315)**	12,545
Comprehensive (loss) income	**$ (14,776)**	$ 27,583

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Changes in Policyowners' Surplus
(In Thousands)

	Unassigned Surplus	Accumulated Other Comprehensive Income	Total Policyowners' Surplus
Balance at January 1, 2012	$ 222,062	$ 22,765	$ 244,827
2012 activity:			
Net income	15,038	–	15,038
Other comprehensive income	–	12,545	12,545
Balance at December 31, 2012	237,100	35,310	272,410
2013 activity:			
Net income	**9,539**	–	**9,539**
Other comprehensive loss	–	**(24,315)**	**(24,315)**
Balance at December 31, 2013	**$ 246,639**	**$ 10,995**	**$ 257,634**

See accompanying notes.

Mutual Trust Holding Company and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31 2013	2012
Operating activities		
Net income	**$ 9,539**	$ 15,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in future policy benefit reserves	**111,433**	127,821
(Decrease) increase in policy and contract claims	**(1,822)**	5,201
Policy acquisition costs deferred	**(31,107)**	(29,754)
Amortization of deferred policy acquisition costs	**18,755**	23,716
Amortization of premium or discount	**304**	2,025
Realized investment gains	**(3,181)**	(14,565)
Increase in reinsurance recoverables	**(17,494)**	(7,693)
Depreciation and amortization	**1,400**	1,325
(Increase) decrease in current income taxes recoverable	**(1,914)**	36
Decrease (increase) in COLI asset	**538**	(654)
Increase in accrued interest on long-term debt	**547**	–
Increase in investment income due and accrued	**(199)**	(645)
Decrease in dividend liability	**(2,709)**	(630)
Other	**4,239**	(3,865)
Net cash provided by operating activities	**88,329**	117,356
Investing activities		
Sale, maturity, or repayment of investments:		
Fixed maturities	**149,378**	290,811
Equity securities	**2,625**	193
Mortgage loans	**35,575**	32,921
Other invested assets	**147**	1,030
Sale of subsidiary	**250**	–
Acquisition of investments:		
Fixed maturities	**(276,962)**	(379,293)
Equity securities	**(2,419)**	(842)
Mortgage loans	**(6,865)**	(8,420)
Real estate	**(3,851)**	(181)
Other invested assets	**(7,307)**	(10,000)
Net (increase) decrease in short-term investments	**10,356**	(11,287)
Net increase in policy loans	**(16,328)**	(19,162)
Other	**(544)**	1,132
Net cash used in investing activities	**(115,945)**	(103,098)
Financing activities		
Policyholder account deposits	**12,182**	16,240
Policyholder account withdrawals	**(26,570)**	(25,455)
Interest credited to policyholder account balances	**10,460**	10,929
Costs deducted from policyholder account balances	**(5,002)**	(4,845)
Issuance of long-term debt	**30,000**	–
Net cash provided by (used in) financing activities	**21,070**	(3,131)
Net (decrease) increase in cash	**(6,546)**	11,127
Cash (overdraft) at beginning of year	**10,812**	(315)
Cash at end of year	**$ 4,266**	$ 10,812

See accompanying notes.

1. Nature of Operations and Basis of Presentation

Mutual Trust Holding Company (MTHC) is a mutual holding company domiciled in Illinois. MTHC and its subsidiaries (the Company) market a variety of participating life insurance, universal life insurance, and annuity products through independent agents in 49 states and the District of Columbia. In 2013, 13% and 12% of the Company's premium revenue was written in California and Texas, respectively.

MTHC owns MTL Holdings, Inc. (MTLH). MTLH owns the principal operating company in the group, MTL Insurance Company (MTL), and MTL Agency, Inc. This ownership structure was established on December 31, 1999, when MTHC and MTLH were formed. In accordance with Illinois law, MTHC must at all times, directly or indirectly, hold at least 51% of the voting stock of MTL.

On September 11, 2012, MTLH, as seller, entered into a Stock Purchase Agreement with Crabtree Holdings, LLC, as purchaser, to transfer ownership of 100% of the issued and outstanding shares of common stock, par value $1.00 per share, of MTL Equity. On January 22, 2013, the Financial Industry Regulatory Authority approved the sale. The transaction closed on February 28, 2013. This disposition did not have a material impact on the Company's consolidated results of operations, financial position, or liquidity.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts and operations of MTHC and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated 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 herein.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments with original maturities of less than three months at the time of purchase, including the Company's investment in money market funds. The carrying value of cash equivalents approximates fair value.

Investments

Fixed maturity and equity securities are classified as available-for-sale and are carried at fair value with any resulting unrealized gain or loss recorded directly in policyowners' surplus as a component of accumulated other comprehensive income, net of tax and adjustments to deferred policy acquisition costs.

Mortgage loans and policy loans are reported at unpaid balances. Premiums or discounts relating to mortgage loans purchased are amortized, principally over the estimated remaining life of the loans, using the effective-yield method. Impaired loans, those for which the Company determines that it is probable that all amounts due under the contractual terms will not be collected, and real estate that is held for sale are reported at the lower of unpaid principal balance or the fair value of the underlying collateral, less encumbrances and estimated costs to sell.

Short-term investments include investments with maturities of less than one year at the date of acquisition and are reported at cost.

Realized investment gains and losses are determined using the first-in, first-out method.

For equity securities, impairments in value considered to be other than temporary are recorded as a reduction of the cost of the security, and a corresponding realized loss is recognized in the consolidated statements of comprehensive (loss) income. The Company recognizes impairment charges after evaluating various subjective and objective factors, such as the financial condition of the issuer, market, industry, and its ability and intent to hold the security to recovery. For debt securities deemed to be other-than-temporarily impaired, recognition in the consolidated financial statements is consistent with the aforementioned policy if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost basis. If neither of these is true, but the Company still does not expect recovery of the entire amortized cost basis, the debt security is written down to fair value with the credit loss portion recognized in earnings and the non-credit portion in other comprehensive income.

2. Significant Accounting Policies (continued)

Deferred Policy Acquisition Costs

The costs directly related to the successful acquisition of new business have been deferred to the extent that such costs are deemed recoverable from future profits. Such costs include commissions, certain bonuses, and certain costs of policy issuance and underwriting.

Costs deferred related to annuities, universal life insurance, and the Company's traditional participating life insurance products are being amortized over the lives of the policies in relation to the present value of the estimated gross profits related to those products. Investment yield assumptions for traditional direct individual life reserves for all contracts range from 4.63% to 5.8%, depending on the time of contract issue. These investment yield assumptions are intended to represent an estimation of the interest rate experience for the period that contract benefits will be paid. Amortization of acquisition costs for other contracts is charged to expense in proportion to premium revenue recognized.

The deferred policy acquisition cost asset is adjusted for the impact on estimated future gross profits as if net unrealized gains and losses on investment securities had been realized at the consolidated balance sheet dates. The impact of this adjustment, net of applicable deferred income taxes, is included in net unrealized gains on investment securities within policyowners' surplus as a component of accumulated other comprehensive income.

Home Office Property, Equipment, and Software

The Company's home office property is recorded at depreciated cost, with depreciation calculated on a straight-line basis over the useful life of the underlying asset. Electronic data-processing equipment and software are reported at depreciated cost with depreciation recorded on a straight-line basis over three years. Accumulated depreciation was $11,908,000 and $10,508,000 at December 31, 2013 and 2012, respectively. Depreciation expense amounted to $1,400,000 and $1,325,000 in 2013 and 2012, respectively.

Corporate-Owned Life Insurance

The Company owns flexible premium universal life insurance policies on certain members of management. The policies are carried in the consolidated balance sheets at cash surrender or contract value, with all changes in value recorded in other income.

2. Significant Accounting Policies (continued)

Premiums

Nearly all of the Company's life insurance policies are participating policies. Participating life insurance policies contain dividend payment provisions that entitle the policyholders to participate in the earnings of the Company. Traditional life insurance premiums, which comprise the majority of premium revenues and immediate annuity premiums, are recognized as premium revenue when due.

Revenues from universal life insurance policies, which are recorded as insurance policy charges in the accompanying consolidated statements of comprehensive (loss) income, consist of charges assessed against policyholder account balances for surrender charges, the cost of insurance, and policy administration. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances.

Revenues from investment-type insurance contracts, principally deferred annuity policies without mortality risk and supplementary contracts without life contingencies, consist of investment income earned in excess of the interest credited to the policyholder account balances and policyholder account charges. Liabilities for these policies represent the deposits received, plus accumulated interest.

Investment Income

Interest on fixed maturity securities and performing mortgage loans is recorded as income when earned and is adjusted for any amortization of premium or discount. Interest on restructured mortgage loans is recorded as income when earned based on the contractual rate. Interest on delinquent mortgage loans is recorded as income on a cash basis. Dividends are recorded as income on ex-dividend dates.

2. Significant Accounting Policies (continued)

Future Policy Benefit Reserves and Policyholder Account Balances

Future policy benefit reserves for participating life insurance policies are computed on a net level premium basis using the dividend fund interest rate and non-forfeiture mortality rates as specified in the applicable policies.

The amount of dividends to be paid on participating life insurance policies is determined annually based on actuarial determinations that take into consideration current mortality, interest earnings, and other expense factors.

Policyholder account balances represent the net accumulation of funds associated with universal life insurance and investment-type insurance contracts.

Policy and Contract Claims

The liability for policy and contract claims is estimated using individual case-basis evaluations and statistical analyses. These estimates are subject to the effects of trends in claim frequency and severity. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Reinsurance

Reinsurance premiums and benefits incurred are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and benefits incurred are reported net of reinsured amounts.

Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2013, through May 12, 2014, the date the consolidated financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the consolidated financial statements. No material subsequent events were noted.

2. Significant Accounting Policies (continued)

New Accounting Standards

Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-02, Comprehensive Income (Topic 220), "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires significant items reclassified out of accumulated other comprehensive income (which we refer to as AOCI) to net income in their entirety in the same reporting period, to be reported to show the effect of the reclassifications on the respective line items of the statement where net income is presented. These reclassifications can be presented either on the face of the statement where net income is presented or in the notes to the financial statements. For items that are not reclassified to net income in their entirety in the same reporting period, a cross reference to other disclosures currently required under GAAP is required in the notes to the consolidated financial statements. The new guidance also requires companies to report changes in the accumulated balances of each component of AOCI. This new guidance was effective for annual and interim periods beginning after December 15, 2012. The Company adopted the new guidance effective January 1, 2013. The adoption did not have any material impact on the Company's results of operations or financial position.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued new accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The new guidance requires that unrecognized tax benefits be presented as a reduction to the related deferred tax asset when a net operating loss, similar tax loss, or tax credit carryforward exists at the reporting date. When the carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the applicable jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The revised guidance is effective for annual and interim periods beginning after December 15, 2014, with early adoption permitted. The revised guidance is effective for the Company as of January 1, 2015. The Company is currently evaluating the impact that this new guidance will have on its consolidated financial statements.

2. Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

3. Investments

Major categories of net investment income generated by the Company's invested assets are summarized as follows:

	2013	2012
	(In Thousands)	
Income:		
Fixed-maturity securities	**$ 63,072**	$ 59,708
Equity securities	**143**	143
Mortgage loans on real estate	**11,060**	13,161
Real estate	**2,098**	1,142
Policy loans	**11,926**	11,631
Other investments	**1,380**	597
Total investment income	**89,679**	86,382
Investment expenses	**(7,382)**	(4,950)
Net investment income	**$ 82,297**	$ 81,432

3. Investments (continued)

Proceeds from sales of available-for-sale securities during 2013 and 2012 were $90,328,000 and $198,958,000, respectively. Gross gains of $5,281,000 and $14,531,000 and gross losses of $1,116,000 and $509,000 were recognized on these sales in 2013 and 2012, respectively.

Realized gains and losses on investments are summarized as follows:

	2013	2012
	(In Thousands)	
Bonds:		
Gross realized gains	**$ 5,587**	$ 14,578
Gross realized losses	**(1,123)**	(351)
Net realized gains on bonds	**4,464**	14,227
Common stocks:		
Gross realized gains	–	10
Gross realized losses	–	(176)
Net realized losses on common stocks	–	(166)
Mortgage loans – net	**(1,388)**	385
Other gains/losses – net	**122**	119
Net realized gains	**$ 3,198**	$ 14,565

3. Investments (continued)

Fixed maturity and equity securities are classified as available-for-sale. The fair values of these securities are based on market values provided by independent outside pricing services. The cost or amortized cost and fair value of fixed maturity and equity securities are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
At December 31, 2013				
Fixed maturities:				
U.S. government and agencies	**$ 15,377**	**$ 1,043**	**$ 719**	**$ 15,701**
Foreign securities	**238,222**	**11,464**	**3,260**	**246,426**
States and political subdivisions	**142,290**	**8,650**	**3,635**	**147,305**
Corporate securities	**706,328**	**28,695**	**17,372**	**717,651**
Asset-backed securities	**32,244**	**866**	**149**	**32,961**
Mortgage-backed securities:				
U.S. government and agencies	**58,861**	**1,830**	**1,383**	**59,308**
Non-governmental residential	**38,730**	**1,026**	**726**	**39,030**
Non-governmental commercial	**97,470**	**4,526**	**2,280**	**99,716**
Total fixed maturities	**1,329,522**	**58,100**	**29,524**	**1,358,098**
Equity securities:				
Preferred stock	**500**	**–**	**15**	**485**
International index fund	**2,335**	**102**	**139**	**2,298**
Stock market index fund	**3,190**	**1,366**	**–**	**4,556**
Other common stock	**1,085**	**–**	**–**	**1,085**
Total equity securities	**7,110**	**1,468**	**154**	**8,424**
Total	**$ 1,336,632**	**$ 59,568**	**$ 29,678**	**$ 1,366,522**
At December 31, 2012				
Fixed maturities:				
U.S. government and agencies	$ 10,277	$ 1,625	$ –	$ 11,902
Foreign securities	224,403	21,578	565	245,416
States and political subdivisions	127,203	20,003	85	147,121
Corporate securities	671,351	64,534	1,524	734,361
Asset-backed securities	32,219	3,276	223	35,272
Mortgage-backed securities:				
U.S. government and agencies	61,587	3,959	22	65,524
Non-governmental residential	6,680	316	44	6,952
Non-governmental commercial	65,103	8,104	29	73,178
Total fixed maturities	1,198,823	123,395	2,492	1,319,726
Equity securities:				
Preferred stock	500	42	–	542
International index fund	2,275	50	328	1,997
Stock market index fund	3,111	305	3	3,413
Other common stock	1,445	22	–	1,467
Total equity securities	7,331	419	331	7,419
Total	$ 1,206,154	$ 123,814	$ 2,823	$ 1,327,145

3. Investments (continued)

The amortized cost and fair value of fixed maturity securities at December 31, 2013, by stated maturities, are as follows. Expected maturities may differ from stated maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
Years of maturity:		
One or less	$ 14,430	$ 14,704
After one through five	148,974	160,533
After five through ten	371,379	380,926
After ten	545,061	547,471
Asset- and mortgage-backed securities	249,678	254,464
	$ 1,329,522	$ 1,358,098

At December 31, 2013, investments with a carrying value of $6,494,000 were on deposit with state insurance departments to satisfy regulatory requirements.

3. Investments (continued)

For temporarily impaired securities, the following table illustrates the fair values and gross unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
			(In Thousands)			
At December 31, 2013						
Fixed maturities:						
U.S. government and agencies	**$ 5,657**	**$ 688**	**$ 115**	**$ 31**	**$ 5,772**	**$ 719**
Foreign securities	**65,219**	**3,083**	**2,847**	**177**	**68,066**	**3,260**
States and political subdivisions	**43,557**	**3,441**	**1,337**	**194**	**44,894**	**3,635**
Corporate securities	**248,304**	**13,429**	**28,073**	**3,944**	**276,377**	**17,373**
Asset-backed securities	**12,429**	**149**	**–**	**–**	**12,429**	**149**
Mortgage-backed securities:						
U.S. government and agencies	**20,026**	**1,364**	**68**	**20**	**20,094**	**1,384**
Non-governmental residential	**17,395**	**722**	**207**	**3**	**17,602**	**725**
Non-governmental commercial	**36,816**	**2,096**	**1,468**	**183**	**38,284**	**2,279**
Total fixed maturities	**449,403**	**24,972**	**34,115**	**4,552**	**483,518**	**29,524**
Equity securities:						
Preferred stock	**485**	**15**	**–**	**–**	**485**	**15**
International index fund	**1,763**	**139**	**–**	**–**	**1,763**	**139**
Stock market index fund	**–**	**–**	**–**	**–**	**–**	**–**
Total equity securities	**2,248**	**154**	**–**	**–**	**2,248**	**154**
Total temporarily impaired securities	**$ 451,651**	**$ 25,126**	**$ 34,115**	**$ 4,552**	**$ 485,766**	**$ 29,678**
At December 31, 2012						
Fixed maturities:						
Foreign securities	$ 14,569	$ 504	$ 2,146	$ 61	$ 16,715	$ 565
States and political subdivisions	4,610	85	–	–	4,610	85
Corporate securities	59,634	1,450	2,926	74	62,560	1,524
Asset-backed securities	1,979	15	466	208	2,445	223
Mortgage-backed securities:						
U.S. government and agencies	956	22	–	–	956	22
Non-governmental residential	1,741	25	630	19	2,371	44
Non-governmental commercial	4,793	28	59	1	4,852	29
Total fixed maturities	88,282	2,129	6,227	363	94,509	2,492
Equity securities:						
International index fund	–	–	1,648	328	1,648	328
Stock market index fund	–	–	103	3	103	3
Total equity securities	–	–	1,751	331	1,751	331
Total temporarily impaired securities	$ 88,282	$ 2,129	$ 7,978	$ 694	$ 96,260	$ 2,823

3. Investments (continued)

At December 31, 2013, the Company had 440 fixed maturity securities in a continuous unrealized loss position for 12 months or less and 34 fixed maturity securities in a continuous unrealized loss position for more than 12 months. Management regularly reviews the value of the Company's investments. If the value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the following are some of the factors considered:

- How long and by how much the fair value has been below its cost
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential
- Any downgrades of the security by a rating agency
- Any reduction or elimination of dividends or nonpayment of scheduled interest payments
- For equity securities, if management has the ability and intent to hold these investments until a recovery of fair value given the near-term prospects of the investment in relation to the severity and duration of the impairment
- For debt securities, if management intends to sell the security, if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, or if the Company does not expect recovery of the entire amortized cost basis

Based on that analysis, management makes a judgment as to whether the loss is other-than-temporary. If the loss is deemed other-than-temporary, an impairment charge is recorded within net realized investment gains (losses) in the consolidated statements of comprehensive (loss) income in the period the determination is made. The Company did not record other-than-temporary impairment charges on available-for-sale, fixed maturity securities in 2013 or 2012.

3. Investments (continued)

Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. ASC 820 establishes a three-level hierarchy in the determination of fair value, which is based on the priority of the inputs to the valuation technique. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of the hierarchy are defined as follows:

- Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical financial instruments.

- Level 2 – Valuations are based on quoted market prices, 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.

The Company's Level 1 securities consist of equity securities traded on major stock exchanges. The Company's Level 2 securities consist of non-private placement bonds, certain private placement bonds more actively traded, and certain surplus/capital notes, all of which are priced principally through independent pricing services. Management reviews the valuation methodologies used by the pricing services on an ongoing basis and ensures that any valuation methodologies are justified. The Company's Level 3 securities consist primarily of private placement bonds that are not priced by independent pricing services due to their illiquid, restrictive nature. Consistent with industry practice, the Company relies on pricing models utilized by its investment managers with inputs that are not market observable. These models typically discount the expected future cash flows of the security using a market rate determined through comparison to similar publicly traded bonds (typically by credit quality, duration, and sector), adjusted for any distinctive characteristics of the individual security and an appropriate illiquidity premium.

3. Investments (continued)

The following table presents the categorization of the Company's financial assets measured at fair value on a recurring basis in the consolidated balance sheets:

	Level 1	Level 2	Level 3	Total Fair Value
	(In Thousands)			
At December 31, 2013				
Fixed maturities:				
U.S. government and agencies	**$ –**	**$ 15,701**	**$ –**	**$ 15,701**
Foreign securities	**–**	**107,751**	**138,675**	**246,426**
States and political subdivisions	**–**	**147,305**	**–**	**147,305**
Corporate securities	**–**	**431,872**	**285,779**	**717,651**
Asset-backed securities	**–**	**31,945**	**1,016**	**32,961**
Mortgage-backed securities:				
U.S. government and agencies	**–**	**59,308**	**–**	**59,308**
Non-governmental residential	**–**	**39,030**	**–**	**39,030**
Non-governmental commercial	**–**	**99,716**	**–**	**99,716**
Total fixed maturities	**–**	**932,628**	**425,470**	**1,358,098**
Equity securities:				
Preferred stock	**485**	**–**	**–**	**485**
International index fund	**2,298**	**–**	**–**	**2,298**
Stock market index fund	**4,556**	**–**	**–**	**4,556**
Other common stock	**1,085**	**–**	**–**	**1,085**
Total equity securities	**8,424**	**–**	**–**	**8,424**
Surplus/capital notes	**–**	**21,029**	**2,101**	**23,130**
Total	**$ 8,424**	**$ 953,656**	**$ 427,572**	**$ 1,389,652**
At December 31, 2012				
Fixed maturities:				
U.S. government and agencies	$ –	$ 11,902	$ –	$ 11,902
Foreign securities	–	114,631	130,785	245,416
States and political subdivisions	–	147,121	–	147,121
Corporate securities	–	470,862	263,499	734,361
Asset-backed securities	–	25,318	9,954	35,272
Mortgage-backed securities:				
U.S. government and agencies	–	65,524	–	65,524
Non-governmental residential	–	6,952	–	6,952
Non-governmental commercial	–	73,119	59	73,178
Total fixed maturities	–	915,429	404,297	1,319,726
Equity securities:				
Preferred stock	542	–	–	542
International index fund	1,997	–	–	1,997
Stock market index fund	3,413	–	–	3,413
Other common stock	1,467	–	–	1,467
Total equity securities	7,419	–	–	7,419
Surplus/capital notes	–	2,153	–	2,153
Total	$ 7,419	$ 917,582	$ 404,297	$ 1,329,298

3. Investments (continued)

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Certain securities trade in less liquid markets with limited or no pricing information, and the determination of fair value for these securities is inherently more difficult. The following table summarizes changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy:

	Foreign Securities	Corporate Securities	Asset-Backed Securities	Non-Governmental Commercial MBS	Surplus/ Capital Notes
			(In Thousands)		
Fair value at January 1, 2012	$ 97,073	$ 224,406	$ 10,737	$ –	$ 1,810
Transfers in (out) [1]	–	–	–	59	(1,810)
Items included in net loss – net amortization	6	10	–	–	–
Unrealized holding gains in accumulated other comprehensive income	10,969	23,659	1,364	–	–
Realized holding gains	176	3,913	7	–	–
Purchases	39,220	57,065	–	–	–
Sales, maturities, settlements, and calls	(16,659)	(45,554)	(2,154)	–	–
Fair value at December 31, 2012	**130,785**	**263,499**	**9,954**	**59**	**–**
Transfers in (out)	**–**	**–**	**–**	**–**	**–**
Items included in net loss – net amortization	**3**	**18**	**–**	**–**	**–**
Unrealized holding gains in accumulated other comprehensive income	**5,614**	**11,978**	**67**	**–**	**2,101**
Realized holding gains	**145**	**73**	**–**	**–**	**–**
Purchases	**16,960**	**19,139**	**–**	**–**	**–**
Sales, maturities, settlements, and calls	**(14,832)**	**(8,928)**	**(9,005)**	**(59)**	**–**
Fair value at December 31, 2013	**$ 138,675**	**$ 285,779**	**$ 1,016**	**$** –	**$ $2,101**

[1] In 2012, securities transferred from Level 2 to Level 3 consisted of private placement securities for which the Company was no longer able to obtain valuations based on quoted market prices, 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. Securities transferred from Level 3 to Level 2 consisted of surplus notes for which valuations based on quoted market prices, other than quoted prices included in Level 1, became available.

3. Investments (continued)

Mortgage Loans

The Company invests in mortgage loans collateralized by commercial real estate. The aggregate mortgages outstanding to any one borrower do not exceed $5,780,000. During 2013, the respective maximum and minimum lending rates for new mortgage loans were 4.88% and 5.13%, respectively. At the issuance of a loan, the percentage of any one loan-to-value of security, exclusive of insured, guaranteed, or purchase money mortgages, does not exceed 75%. At December 31, 2013, the collateral of $37,121,122 (23.1%), $28,449,529 (17.7%), and $18,946,053 (11.8%) of such mortgages was located in the states of Illinois, Michigan, and Georgia, respectively. In keeping with the Company's investment policies, these mortgages are diversified among commercial property types.

In 2013 and 2012, the Company deemed certain mortgage loans were other-than-temporarily impaired. As such, these loans were written down to fair value less encumbrances and estimated selling costs, which resulted in realized losses of $1,425,000 and $154,000, respectively. As of December 31, 2013 and 2012, the Company had investments in impaired mortgage loans of $8,701,000 and $13,911,000, respectively. As of December 31, 2013 and 2012, mortgage loans totaling $4,715,000 and $8,036,000, respectively, are classified as restructured loans. These loans are classified as restructured due to temporary principal moratoriums previously granted, with no concessions on interest rate or interest payments. No impairment charges were recorded on these loans due to the fair value less encumbrance and estimated selling costs exceeding carrying value. As of December 31, 2013, these loans are currently paying principal and interest.

The Company has established a valuation allowance against its portfolio of mortgage loans, which is maintained at a level considered adequate by management to absorb estimated probable credit losses, as follows:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**$ 1,360**	$ 1,899
Change in estimate for mortgage loan credit losses	**1,388**	(385)
Less write-downs charged against the allowance	**(1,425)**	(154)
Balance at end of year	**$ 1,323**	$ 1,360

4. Deferred Acquisition Costs

An analysis of the changes in the deferred policy acquisition cost asset is as follows:

	2013	2012
	(In Thousands)	
Deferred policy acquisition costs, beginning of year	**$ 94,830**	$ 99,966
Capitalized	**31,107**	29,754
Amortization	**(18,756)**	(23,716)
Change in offset for unrealized losses (gains) on investment securities	**50,554**	(11,174)
Deferred policy acquisition costs, end of year	**$ 157,735**	$ 94,830

5. Reinsurance

Certain risks are reinsured with other insurance companies under various reinsurance agreements. The Company in all cases remains liable to its policyholders and beneficiaries. These agreements principally provide the Company with increased capacity to write larger risks. Reinsurance has reduced premiums by $40,826,000 and $20,996,000 and benefits incurred by $18,191,000 and $20,712,000 in 2013 and 2012, respectively. The amount of reinsurance recoverable on paid and unpaid losses was $7,530,000 and $7,498,000 at December 31, 2013 and 2012, respectively.

6. Federal Income Taxes

The Company files a consolidated federal income tax return. The Company made net income tax payments of $1,700,000 and $7,100,000 in 2013 and 2012, respectively.

The Company's income tax expense differs from the amount obtained by applying the U.S. statutory corporate rate of 34% to income before federal income taxes primarily as a result of adjustments to prior year taxes, which are deemed to be changes in estimates.

6. Federal Income Taxes (continued)

The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes. During 2013 and 2012, no interest or penalties were paid as a result of uncertain positions. As of December 31, 2013, the Company has not recorded any liability for uncertain tax positions.

Tax years 2010 and subsequent remain subject to federal and state examination.

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and liabilities at December 31, are as follows (in thousands):

	2013	2012
Deferred tax assets:		
Policy liabilities and reserves	**$ 13,923**	$ 15,623
Employee benefits	**2,013**	1,783
Pension liability	**1,451**	2,896
Postretirement benefits liability	**2,097**	1,861
Policyholder dividends	**1,258**	2,179
Net operating loss carryforward	**147**	155
Other-than-temporary impairments	**478**	804
Other, net	**(1,536)**	837
Total deferred tax assets	**19,831**	26,138
Deferred tax liabilities:		
Deferred policy acquisition costs	**(33,173)**	(15,293)
Investments, unrealized gains	**(10,347)**	(41,505)
Total deferred tax liabilities	**(43,520)**	(56,798)
Net deferred tax liability	**$ (23,689)**	$ (30,660)

A valuation allowance was not required in 2013 or 2012.

The Company has net operating loss carryforwards of $433,000 that will expire beginning in 2029. The Company does not have any capital loss carryforwards.

7. Accumulated Other Comprehensive Income

The after-tax components of accumulated other comprehensive income, are as follows:

	Unrealized Gain on Securities	Underfunded Status of Post-Retirement Benefits Plan	Underfunded Status of Pension Plan	Accumulated Other Comprehensive Income
		(In Thousands)		
Balance as of January 1, 2012	$ 29,048	$ (705)	$ (5,578)	$ 22,765
Net change in period	11,881	221	443	12,545
Balance as of December 31, 2012	40,929	(484)	(5,135)	35,310
Net change in period	(27,117)	484	2,318	(24,315)
Balance as of December 31, 2013	$ 13,812	$ –	$ (2,817)	$ 10,995

8. Debt

During 2003, MTLH purchased all the common stock of MTL Statutory Trust I (the Trust), a newly formed Connecticut business trust, for $310,000. The Trust issued $10,000,000 in trust preferred securities with the proceeds being used to purchase $10,310,000 of long-term subordinated debentures issued by MTLH. Of the proceeds received by MTLH, $9,700,000 was then transferred to MTL as a contribution to surplus. The Illinois Department of Insurance approved the various transactions associated with the issuance of the trust preferred securities. The Trust is considered a variable interest entity under ASC 810, *Consolidation*, but is not consolidated in the financial statements since the Company is not the primary beneficiary. The debentures mature in 2033 and accrue interest at a quarterly floating rate equal to three-month LIBOR (0.2406% at December 31, 2013) plus 4.10%, which is paid quarterly. The Company made interest payments of $458,000 and $479,000 related to the debentures in 2013 and 2012, respectively.

8. Debt (continued)

In August 2011, the Company entered into a funding agreement with the Federal Home Loan Bank of Chicago (FHLB) whereby the Company received an advance of $10,000,000, which it has included in the consolidated balance sheets as long-term debt. The Company is using the funds in an operating leverage and investment spread capacity. The funding agreement was rolled over in August 2013. The advance has a term of two years and accrues interest at an annual fixed rate of 0.63%, which is paid monthly. The Company has pledged nine securities with a total carrying value of $22,719,000 as of December 31, 2013, as collateral on this funding agreement. The total credit capacity based on the collateral pledged is $10,310,000 as of December 31, 2013. The remaining credit availability as of December 31, 2013, is $310,000. The potential advance availability based on the 10,839 shares of FHLB stock the Company owns is $21,678,000. The Company made interest payments of $56,000 and $48,000 related to the advance in 2013 and 2012, respectively.

In March 2013, the Company entered into a surplus note agreement with a third-party whereby the Company received $30,000,000 of cash, which the Company has included in the consolidated balance sheets as long-term debt. The note matures on March 28, 2028 and accrues interest at an annual fixed rate of 6.25%. Interest expense for the year ended December 31, 2013 for the surplus note was $1,417,000 and no principal has been paid down per the terms of the agreement.

9. Employee Benefit Plans

Defined-Benefit Pension Plan

The Company has a noncontributory, defined-benefit pension plan (pension plan) that was previously open to substantially all of its home office employees. Effective January 1, 2007, the Company froze the accrual of all future benefits in the pension plan. As such, there will be no new participants and no future accruals for current participants. Pension benefits are based on the participant's average monthly compensation and length of credited service. The Company's funding policy is to make contributions as required by applicable regulations, including the normal cost of benefits provided. The Company uses December 31 as the measurement date for the plan.

9. Employee Benefit Plans (continued)

The components of the net periodic pension cost for the pension plan consist of the following:

	2013	2012
	(In Thousands)	
Components of net periodic pension cost:		
Interest cost	**$ 879**	$ 917
Expected return on plan assets	**(1,082)**	(1,000)
Amortization of loss	**697**	861
Total net periodic pension cost	**$ 494**	$ 778

The following tables set forth the pension plan's funded status and the amounts recognized at December 31 in the Company's consolidated balance sheets:

	2013	2012
	(In Thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at January 1	**$ 23,061**	$ 23,006
Interest cost	**880**	917
Benefit payments	**(1,381)**	(1,374)
Actuarial (gain) loss	**(1,812)**	512
Projected benefit obligation at December 31	**$ 20,748**	$ 23,061
Change in plan assets:		
Fair value of plan assets at January 1	**$ 15,722**	$ 14,530
Actual return on assets, net of expenses	**2,087**	1,677
Employer contribution	**810**	889
Benefit payments	**(1,381)**	(1,374)
Fair value of plan assets at December 31	**$ 17,238**	$ 15,722
Reconciliation of funded status:		
Funded status – underfunded	**$ (3,510)**	$ (7,339)
Unrecognized net loss	**4,270**	7,784
Net amount recognized	**$ 760**	$ 445
Amounts recognized in the consolidated balance sheets:		
Other liabilities	**$ (3,510)**	$ (7,339)
Accumulated other comprehensive income	**4,270**	7,784
Net amount recognized	**$ 760**	$ 445

9. Employee Benefit Plans (continued)

The projected benefit obligation and the accumulated benefit obligation are $20,748,000 and $23,061,000 at both December 31, 2013 and 2012, respectively.

The following weighted-average assumptions were used to determine the benefit obligation and net benefit cost:

	2013	**2012**
Discount rate (benefit obligation)	**4.80%**	4.00%
Discount rate (net benefit cost)	**4.00**	4.05
Expected return on plan assets	**7.00**	7.00

The Company considers historical experience for comparable investments and the Company's target allocations for the various asset categories of the pension plan to determine the expected long-term rate of return, which is an assumption as to the average rate of earnings expected on the pension plan funds invested, or to be invested, by the pension plan, to provide for the settlement of benefits included in the projected pension benefit obligation. Investment securities, in general, are exposed to various risks, such as fluctuating interest rates, credit standing of the issuer of the security, and overall market volatility. Annually, the Company performs an analysis of expected long-term rates of return based on the composition and allocation of its pension plan assets and recent economic conditions. The Company uses an external actuarial firm to verify that the expected long-term rate of return is reasonable.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the pension plan (in thousands):

2014	$ 1,580
2015	1,550
2016	1,520
2017	1,470
2018	1,430
2019 to 2023	7,000
	$ 14,550

9. Employee Benefit Plans (continued)

The pension plan's weighted-average asset allocation at December 31 by asset category, is as follows:

	2013	2012
Equity securities	**75%**	75%
Fixed income securities	**25**	25
	100%	100%

The Company uses December 31 as the measurement date for the fair value of pension plan assets. Plan assets are invested in various common collective trusts. If classified in the hierarchy defined in ASC 820, the Company's pension plan assets would be considered Level 2, as pricing is based on quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument (e.g., market interest rates and volatilities, spreads, and yield curves). Management reviews the valuation methodologies used by the pricing services on an ongoing basis and ensures that any valuation methodologies are justified. The plan's investment policy provides that investments shall be allocated in a manner designed to provide a long-term investment return greater than the actuarial assumptions, maximize investment return commensurate with risk, and to comply with the Employee Retirement Income Security Act of 1974 (ERISA) by investing in the funds in a manner consistent with ERISA's fiduciary standards. The Company expects to contribute at least $925,510 to the plan in 2014, subject to the maximum tax deduction that is allowed by the Internal Revenue Code.

9. Employee Benefit Plans (continued)

The following table presents the categorization of pension plan assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total Fair Value
		(In Thousands)		
At December 31, 2013				
Common collective trusts:				
Russell 3000 index fund	**$ –**	**$ 6,861**	**$ –**	**$ 6,861**
Passive bond market index fund	–	**4,273**	–	**4,273**
International allocation fund	–	**2,574**	–	**2,574**
Real asset common trust fund	–	**1,706**	–	**1,706**
Intermediate U.S. credit index fund	–	**1,709**	–	**1,709**
Money market fund	–	**115**	–	**115**
Total	**$ –**	**$ 17,238**	**$ –**	**$ 17,238**
At December 31, 2012				
Common collective trusts:				
Russell 3000 index fund	$ –	$ 6,294	$ –	$ 6,294
Passive bond market index fund	–	3,871	–	3,871
International allocation fund	–	2,335	–	2,335
Real asset common trust fund	–	1,558	–	1,558
Intermediate U.S. credit index fund	–	1,547	–	1,547
Money market fund	–	117	–	117
Total	$ –	$ 15,722	$ –	$ 15,722

9. Employee Benefit Plans (continued)

Postretirement Benefits

The Company provides certain health care benefits for retired employees (postretirement benefits). Substantially all employees may become eligible for these benefits if they reach retirement age while working for the Company. The plan provides for all future retirees to be directed to a Medicare HMO plan upon reaching age 65. The Company uses December 31 as the measurement date for the plan.

The components of the net periodic postretirement benefit cost consist of the following:

	2013	2012
	(In Thousands)	
Service cost – benefits earned during the year	**$ 21**	$ 52
Interest cost on benefit obligation	**62**	98
Amortization of actuarial amounts and other	**(470)**	64
Net periodic postretirement benefit (income) cost	**$ (387)**	$ 214

9. Employee Benefit Plans (continued)

The following tables set forth the plan's funded status and the amounts recognized at December 31 in the Company's consolidated balance sheets:

	2013	2012
	(In Thousands)	
Change in benefit obligation:		
Benefit obligation at January 1	**$ 2,074**	$ 2,761
Service cost	**21**	52
Interest cost	**62**	98
Plan participant contributions	**21**	26
Plan amendments	**(419)**	(206)
Benefit payments	**(151)**	(194)
Actuarial gains	**(408)**	(463)
Benefit obligation at December 31	**$ 1,200**	$ 2,074
Change in plan assets:		
Fair value of plan assets at January 1	**$ –**	$ –
Employer contribution	**130**	168
Plan participant contributions	**21**	26
Benefit payments	**(151)**	(194)
Fair value of plan assets at December 31	**$ –**	$ –
Reconciliation of funded status:		
Funded status – underfunded	**$ (1,200)**	$ (2,074)
Prior service cost	**–**	206
Net actuarial losses	**–**	541
Net amount recognized	**$ (1,200)**	$ (1,327)
Amounts recognized in the consolidated balance sheets:		
Other liabilities	**$ (1,200)**	$ (2,074)
Accumulated other comprehensive income	**–**	747
Net amount recognized	**$ (1,200)**	$ (1,327)

9. Employee Benefit Plans (continued)

The discount rate used to measure the accumulated postretirement benefit obligation was 4.10% and 3.55% at December 31, 2013 and 2012, respectively. The discount rate used to measure the net periodic postretirement benefit cost was 4.00% and 4.05% for 2013 and 2012, respectively. For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits for pre-age 65 participants was assumed for 2013, decreasing gradually to 5% by 2022, and remaining at that level thereafter. For post-age 64 participants, the rate is 7%, decreasing gradually to 5% by 2021, and remaining at that level thereafter.

Increasing or decreasing the assumed health care cost trend rate assumption by 1% point in each year would increase (decrease) the accumulated postretirement benefit obligation as of December 31, 2013, by $77,000 and ($70,000), respectively, and the estimated service and interest cost components of the net periodic postretirement benefit cost for 2013 by $9,000 and ($8,000), respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the postretirement benefit plan (in thousands):

2014	$ 125
2015	123
2016	121
2017	118
2018	113
2019 to 2023	475
	$ 1,075

Defined-Contribution Plan

The Company sponsors a defined-contribution plan for all eligible employees. The plan is a 401(k)/profit-sharing plan that includes a matching contribution of 50% of the first 6% of base compensation that a participant contributes to the plan and discretionary and profit-sharing components that are determined at the discretion of the Company's Board of Directors. The Company recognized an expense of $687,000 and $599,000 in 2013 and 2012, respectively, related to this plan.

9. Employee Benefit Plans (continued)

Other Benefit Plans

The Company also provides retirement benefits for agents under a deferred compensation plan. Subject to certain production requirements, the Company matches up to 5% of commissions earned by agents. The Company contributed and expensed $112,000 and $126,000 in 2013 and 2012, respectively, related to the match.

10. Statutory Capital and Surplus

MTHC and MTL also prepare statutory financial statements in conformity with accounting practices prescribed or permitted by the Illinois Department of Insurance (the Department), which vary, in some respects, from GAAP. Statutory accounting is primarily focused on solvency and surplus adequacy. Therefore, fundamental differences exist between statutory and GAAP accounting.

MTHC's statutory-basis capital and surplus was $1,778,000 and $1,783,000 at December 31, 2013 and 2012, respectively. MTHC's statutory-basis net loss was $(5,000) and $(5,000) in 2013 and 2012, respectively. MTL's statutory-basis capital and surplus was $127,815,000 and $89,558,000 at December 31, 2013 and 2012, respectively. MTL's statutory-basis net income was $1,956,000 and $1,630,000 in 2013 and 2012, respectively. Both MTHC's and MTL's capital and surplus exceeds regulatory requirements at December 31, 2013 and 2012.

11. Fair Values of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Assets				
Fixed maturity securities	**$1,358,098**	**$1,358,098**	$1,319,726	$1,319,726
Equity securities	**8,424**	**8,424**	7,419	7,419
Mortgage loans on real estate	**158,423**	**164,463**	188,485	198,287
Real estate, held-for-sale	**4,855**	**4,855**	1,867	1,748
Policy loans	**252,623**	**252,623**	236,298	236,298
Short-term investments	**22,875**	**22,875**	33,230	33,230
Other invested assets	**20,646**	**20,646**	12,949	12,949
Cash	**4,266**	**4,266**	10,812	10,812
Corporate-owned life insurance	**19,203**	**19,203**	19,741	19,741
Liabilities				
Annuities (accumulation)	**171,696**	**171,170**	178,928	178,353
Annuities (on-benefits)	**23,849**	**28,409**	25,584	32,993
Dividend accumulations	**30,439**	**30,439**	31,830	31,830
Long-term debt	**50,857**	**50,669**	20,310	20,123

11. Fair Values of Financial Instruments (continued)

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Short-Term Investments: The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Investment Securities: Fair values of bonds and preferred and unaffiliated common stocks are based on quoted market prices provided to the Company by independent pricing services if available. Fair values for securities that are not actively traded are provided by nationally recognized independent pricing services that employ various pricing methods and types of modeling that use benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Typical market inputs include benchmark yields, reported trades, broker/dealer quotes from market makers or recognized market participants, issuer spreads, benchmark securities, bids, offers, reference data, including market research publications, and industry and economic events. The Company has obtained an understanding of the methods, models, and inputs used by the independent pricing services to validate the amounts provided as a representation of current fair values.

If an independent pricing service is unable to provide the fair value for a security due to insufficient market information, such as a private placement transaction, the Company uses fair values derived by Prudential Capital Group (Prudential) and Advantus Capital Management (Advantus), its primary managers of private placement securities in its portfolio. The valuation methods used by these managers are similar in that an internal credit rating is assigned to each private placement, since in most cases the private placements are not rated by a nationally recognized statistical rating organization, but the underlying method for making that credit assessment is similar to those reported by the independent rating agencies. In the case of Prudential, a survey is conducted monthly of bankers to determine investment grade private spreads by quality and maturity levels. That spread matrix is then compared against a public spread matrix, and in no case can the private spread be less than 15 basis points greater than the public spread. The matrix is then supplemented with sector specific add-ons. The add-ons are derived from Barclays U.S. Credit Index data. In addition, there may be an issue specific spread add-on for particular credits if the sum of the previously mentioned spread components is less than the original spread at purchase. That security specific spread add-on is included in the security's spread until maturity and is only reevaluated if a quality rating is changed or if a subsequent loan to the issuer is made. Prudential utilizes a proprietary option model in calculating the value of prepayment and other options.

11. Fair Values of Financial Instruments (continued)

In the case of Advantus, a public corporate spread matrix is developed using spread information from the Barclays Capital U.S. Corporate Index. That information is categorized by credit quality, maturity, and broad sector (Industrial, Utility, and Financial). A private premium spread is then added to the public spread based on the structure of the security – traditional or structured. The spread of each premium is derived from recent spread information for offered and placed traditional and specialty type private placements relative to public corporate bond alternatives. In the case of both managers, software is used to calculate the associated prices using a discounted cash flow application for each private placement applying the spread data described above to the month-end closing yield curve that takes into account the maturity date, coupon rate, cash flows, etc.

Mortgage Loans: Fair values for the Company's mortgage loans are estimated by discounting future cash flows using an interest rate for similar mortgage loans issued at the balance sheet date.

Real Estate: Properties that the Company has the intent to sell are carried in the balance sheets at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property. Fair value is determined through acceptable appraisal methodologies, which represent the price that a property would bring in a competitive and open market under all conditions requisite to a fair sale.

Policy Loans: The Company believes the best estimate of the fair value of policy loans is equal to their respective carrying amount.

Other Invested Assets: Other invested assets consist primarily of a limited partnership, which is carried on the equity method, which is the Company's pro-rata share of the underlying audited GAAP equity of the entity. The Company believes that the equity method approximates fair value. Surplus/capital notes are also included within other invested assets with fair values based on market values provided by reputable, independent pricing services.

Corporate-Owned Life Insurance: The policies are carried at cash surrender or contract value, which approximates their fair values.

Investment-Type Insurance Contracts: Fair values for the Company's liabilities under investment-type insurance contracts are estimated using present values of future benefit payments based on the contingencies of withdrawal, annuitization, and current interest rates.

11. Fair Values of Financial Instruments (continued)

Dividend Accumulations: The fair values disclosed for dividend accumulations are, by definition, equal to the amount of dividend accumulations payable on demand at the reporting date.

Long-Term Debt: The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Quantitative Information Regarding Level 3 Assets

Additional discussion on the Company's determination of fair value for financial instruments carried at fair value in the consolidated balance sheets can be found in Note 3. Fair values of the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

The following table provides quantitative information about the significant unobservable inputs used in the fair value measurements developed by the Company's investment managers of Level 3 private placement fixed maturity securities as of December 31, 2013:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average)	Impact of Increase in Input on Fair Value
	(In Thousands)				
Corporate and foreign:					
Managed by Advantus	$ 147,962	Discounted cash flow	Yield/Spread to U.S. Treasuries[1]	1.28%-14.67% (3.94%)	Increase
Managed by Prudential	262,062	Discounted cash flow	Yield/Spread to U.S. Treasuries[1]	1.08%-9.35% (3.26%)	Increase
Asset- and mortgage-backed:					
Managed by Prudential	5,550	Discounted cash flow	Yield/Spread to U.S. Treasuries[1]	1.08%-9.35% (3.26%)	Decrease

[1] The yield/spread to U.S. Treasuries input represents an estimated market participant composite adjustment attributable to liquidity premiums, expected durations, structures, and credit quality that would be applied to the market-observable information of an investment.

12. Commitments and Contingencies

The Company is occasionally a defendant in various legal actions. The Company's management believes that the resolution of these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

At December 31, 2013, the Company had no outstanding commitments to fund mortgage loan investments.

Periodically, the Company is assessed by various state guaranty funds, as part of those funds' activities, to collect funds from solvent insurance companies to cover certain losses that resulted from the insolvency or rehabilitation of other insurance companies. The Company records a liability for future guaranty fund assessments based upon known insolvencies. The amount accrued for guaranty fund assessments was $75,000 and $70,000 at December 31, 2013 and 2012, respectively.

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EXHIBIT E

Financial Statements of Pan-American

Pan-American Life Mutual Holding Company

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2014 and 2013

Contents

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Report of Independent Auditors

The Board of Directors
Pan-American Life Mutual Holding Company

We have audited the accompanying consolidated financial statements of Pan-American Life Mutual Holding Company, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pan-American Life Mutual Holding Company at December 31,2014 and 2013, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating details are presented 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 audits of the consolidated 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.

Ernst + Young LLP

May 14, 2015

Pan-American Life Mutual Holding Company
Consolidated Balance Sheet

	December 31 2014	December 31 2013
	(In Thousands)	
Assets		
Fixed maturity securities, available for sale at fair value (amortized cost: $2,161,458 and $2,122,131, respectively)	**$ 2,330,143**	$ 2,262,454
Equity securities, available for sale at fair value (cost: $129,242 and $36,354, respectively)	**130,564**	36,018
Policy loans	**131,015**	131,870
Joint ventures and limited partnerships	**40,443**	34,292
Investments in real estate	**11,038**	11,447
Mortgage loans on real estate	**2,415**	3,195
Short-term investments	**38,664**	31,805
Total investments	**2,684,282**	2,511,081
Cash and cash equivalents	**164,770**	164,033
Accrued investment income	**30,698**	30,940
Amounts recoverable from reinsurers	**92,377**	86,673
Premiums and fees receivable	**28,105**	26,383
Federal and foreign income taxes recoverable	**9,150**	9,325
Deferred policy acquisition costs	**142,261**	136,036
Value of business acquired	**7,916**	8,764
Property and equipment	**48,662**	45,455
Goodwill and other intangible assets	**6,888**	10,111
Other assets	**46,328**	59,312
Total assets	**$ 3,261,437**	$ 3,088,113
Liabilities and equity		
Policyholder account balances and other policyholder funds	**$ 1,522,076**	$ 1,440,704
Future policy benefits	**709,599**	702,278
Policy and contract claims	**135,757**	110,731
Notes payable	**50,093**	50,223
Deferred income taxes	**10,810**	24,573
Accrued employee benefits	**60,287**	43,676
Federal and foreign income taxes payable	**12,335**	12,880
Other liabilities	**90,454**	90,730
Liabilities related to discontinued operations	**—**	1,521
Total liabilities	**2,591,411**	2,477,316
Retained earnings	**636,691**	582,660
Accumulated other comprehensive income	**32,091**	26,295
Total equity attributable to Pan-American Life Mutual Holding Company	**668,782**	608,955
Noncontrolling interests	**1,244**	1,842
Total equity	**670,026**	610,797
Total liabilities and equity	**$ 3,261,437**	$ 3,088,113

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company
Consolidated Statement of Comprehensive Income

	Year Ended December 31 2014	2013
	(In Thousands)	
Premiums earned	**$ 445,300**	$ 411,326
Contract charges	**107,163**	100,486
Net investment income	**138,231**	133,365
Net realized investment gains (losses)	**7,661**	(226)
Other insurance operating revenues	**12,332**	8,286
Total revenues	**710,687**	653,237
Policyholder benefits and claims	**331,623**	313,430
Interest credited to policyholder account balances	**58,736**	56,975
Amortization of deferred policy acquisition costs and value of business acquired	**17,428**	14,652
Underwriting and other insurance operating expenses	**229,183**	208,087
Interest expense	**3,874**	3,970
Total benefits and expenses	**640,844**	597,114
Income from continuing operations before income taxes	**69,843**	56,123
Provision for income taxes	**13,305**	12,277
Income from continuing operations	**56,538**	43,846
(Loss) income from discontinued operations, net of income taxes of $0 and $7,390, respectively	**(3,175)**	24,282
Net income	**53,363**	68,128
Net income attributable to noncontrolling interests	**(700)**	10,635
Net income attributable to Pan-American Life Mutual Holding Company	**$ 54,063**	$ 57,493
Other comprehensive income (loss):		
Unrealized gains (losses) on investments	**$ 27,858**	$ (43,438)
Unrealized losses on derivatives	**(6,439)**	(266)
Change in benefit plan liabilities	**(9,072)**	27,115
Foreign currency translation adjustments	**(6,105)**	558
Other comprehensive income (loss)	**6,242**	(16,031)
Other comprehensive income (loss) attributable to noncontrolling interests	**765**	2,013
Other comprehensive income (loss) attributable to Pan-American Life Mutual Holding Company	**$ 5,477**	$ (18,044)
Comprehensive income	**$ 59,605**	$ 52,097
Comprehensive income attributable to noncontrolling interests	**65**	12,648
Comprehensive income attributable to Pan-American Life Mutual Holding Company	**$ 59,540**	$ 39,449

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company
Consolidated Statement of Equity

	Year Ended December 31	
	2014	2013
	(In Thousands)	
Retained earnings at beginning of year	**$ 582,660**	$ 526,010
Net income attributable to Pan-American Life Mutual Holding Company	**54,063**	57,493
Purchase of additional shares of subsidiary	**(32)**	(843)
Retained earnings at end of year	**$ 636,691**	$ 582,660
Accumulated other comprehensive income at beginning of year	**$ 26,295**	$ 39,588
Other comprehensive income (loss) attributable to Pan-American Life Mutual Holding Company	**5,477**	(18,044)
Purchase of additional shares of subsidiary	**319**	4,751
Accumulated other comprehensive income at end of year	**$ 32,091**	$ 26,295
Noncontrolling interests at beginning of year	**$ 1,842**	$ 14,430
Purchase of additional shares of subsidiary	**(663)**	(8,086)
Distribution to noncontrolling interests	**—**	(17,150)
Net income attributable to noncontrolling interests	**(700)**	10,635
Other comprehensive income (loss) attributable to noncontrolling interests	**765**	2,013
Noncontrolling interests at end of year	**$ 1,244**	$ 1,842

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company
Consolidated Statement of Cash Flows

	Year Ended December 31	
	2014	**2013**
	(In Thousands)	
Operating activities		
Premiums collected	**$ 443,578**	$ 412,992
Contract charges collected	**107,163**	100,486
Net investment income collected	**139,533**	136,032
Other insurance operating revenues collected	**18,031**	597
Policyholder benefits paid	**(295,403)**	(318,542)
Interest credited to policyholder account balances	**(58,736)**	(56,975)
Underwriting, acquisition, and other insurance expenses paid	**(249,786)**	(236,297)
Interest expense paid	**(4,012)**	(4,108)
Income taxes paid	**(26,465)**	(18,930)
Net cash provided by continuing operating activities	**73,903**	15,255
Net cash used in discontinued operating activities	**(4,595)**	(1,512)
Net cash provided by operating activities	**69,308**	13,743
Investing activities		
Investment purchases	**(650,398)**	(507,195)
Proceeds from sales and maturities of investments	**522,208**	380,170
Purchase of acquired businesses, net of cash received	**(866)**	—
Purchase of derivative instruments	**—**	(12,115)
Net change in policy loans	**855**	(1,885)
Principal collections on mortgage loans	**799**	2,508
Purchases of property and equipment	**(7,696)**	(6,406)
Effect of exchange rate changes on cash	**(6,584)**	1,281
Net cash used in continuing investing activities	**(141,682)**	(143,642)
Net cash provided by discontinued investing activities	**—**	36,985
Net cash used in investing activities	**(141,682)**	(106,657)
Financing activities		
Policyholders’ account deposits collected	**265,749**	244,256
Policyholders’ account withdrawals paid	**(192,262)**	(180,510)
Purchase of additional shares in subsidiary	**(376)**	(4,179)
Net cash provided by continuing financing activities	**73,111**	59,567
Net cash used in discontinued financing activities	**—**	(795)
Net cash provided by financing activities	**73,111**	58,772
Net change in cash and cash equivalents	**737**	(34,142)
Cash and cash equivalents at beginning of year	**164,033**	198,175
Cash and cash equivalents at end of year	**$ 164,770**	$ 164,033

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company
Notes to Consolidated Financial Statements

1. Nature of Operations and Basis of Presentation

Business

Pan-American Life Mutual Holding Company (Mutual Holding Company) is a Louisiana-domiciled mutual holding company that is controlled by its members, who are qualified policyholders of Pan-American Life Insurance Company (Pan-American Life). The Mutual Holding Company's primary insurance operations in the United States are conducted through two Louisiana-domiciled insurance companies: Pan-American Life and its wholly owned subsidiary Pan-American Assurance Company (Pan-American Assurance). Internationally, business is conducted through several foreign branches and affiliates located in Latin America and the Caribbean, as well as through INRECO International Reinsurance Company and Pan-American International Insurance Corporation (Pan American International), both located in the Cayman Islands. In addition, the Mutual Holding Company owns a 66.67% interest in a limited partnership which owned and operated a hotel (the hotel partnership). The property and equipment related to the hotel was sold on January 23, 2013, and is presented as a discontinued operation (see Note 16). The Mutual Holding Company and its subsidiaries are collectively referred to as the Company.

Pan-American Life converted from a mutual insurer to a stock insurer through the formation of an intermediate holding company, Pan-American Life Insurance Group, Inc. (Pan-American Life Group). Effective January 1, 2007, Pan-American Life Group owns all of the issued and outstanding shares of Pan-American Life. In turn, the Mutual Holding Company owns all of the issued and outstanding shares of Pan-American Life Group.

Pan-American Life is authorized to sell life and accident and health products in 47 states, the District of Columbia, Puerto Rico, and the United States Virgin Islands. Pan-American Life and other subsidiaries are also authorized to sell certain insurance products in various foreign countries. In 2014 and 2013, approximately 52% and 57%, respectively, of the Company's insurance business, as measured by direct premiums and deposits, was conducted through Pan-American Life and Pan-American Assurance, including their Latin American branches.

For 2014 and 2013, the top geographic locations for direct premiums and deposits by the Company were Panama; Ecuador; Honduras; Trinidad and Tobago; Guatemala; El Salvador; and, in the United States, Texas and California. No other geographic location represents more than 5% of the Company's life premiums, annuity considerations, or deposit-type collections in any of these periods covered.

The Company distributes its products through a combination of independent producers, internal sales representatives, and managing general underwriters. Combined assets of Pan-American Life and Pan-American Assurance as of December 31, 2014 and 2013, represent approximately 51% and 56% of the consolidated assets for the Company, respectively.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Mutual Holding Company and its subsidiaries. Significant accounting policies are presented throughout the notes, together with disclosures to which they pertain. All material intercompany accounts and transactions have been eliminated in consolidation. With the exception of the hotel partnership, which is presented as a discontinued operation, all entities in which the Company exercises control are fully consolidated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. These estimates are inherently subject to change, and actual results will differ from these estimates. Included among the reported amounts and disclosures that require extensive use of estimates are the fair value of certain invested assets, the deferral and amortization of policy acquisition costs, the accrual of future policy benefits and policy and contract claim liabilities, and the funded status of pension and postretirement plans.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 presentation. Deferred policy acquisition costs of $1.1 million were reclassified to amounts recoverable from reinsurers, mortgage loans of $3.0 million were reclassified to fixed maturity securities, other liabilities of continuing operations of $721,000 were reclassified to property and equipment, future policy benefits of $18.9 million were reclassified to policyholder account balances, and investments in real estate of $4.5 million were reclassified to property and equipment.

Subsequent Events

The Company evaluated subsequent events through May 14, 2015, which is the date these consolidated financial statements were available to be issued. The Company is not aware of any significant events that required recognition or additional disclosure in these consolidated financial statements, except as noted below.

In April 2015, the Company entered into a merger agreement with Mutual Trust Holding Company. The Company expects the merger to close during the second half of 2015, pending regulatory and member approvals.

Current Adoption of New Accounting Pronouncements

In January 2013, the FASB issued guidance on reporting amounts reclassified out of accumulated other comprehensive income. The guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component, including a requirement to present, either on the face of the statement of comprehensive income or in the notes, significant amounts reclassified out of AOCI by the respective line items. The guidance was effective for fiscal years beginning after December 15, 2013. The adoption was prospectively applied but did not result in additional disclosures in the Company's consolidated financial statements.

In July 2011, the FASB issued guidance that addresses questions about how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act. For reporting entities that are subject to the fee imposed on health insurers mandated by the Acts, the guidance specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable, with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The guidance was effective for calendar years beginning after December 31, 2013. The guidance did not have any effect on the Company's consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In July 2013, the FASB issued guidance which provides that in certain circumstances an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The amendments are effective for fiscal years beginning after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In March 2013, the FASB issued guidance on releasing cumulative translation adjustments when a reporting entity ceases to have a controlling financial interest in a subsidiary. In addition, these amendments provide guidance on the release of cumulative translation adjustment in partial sales of equity-method investments and in step acquisitions. The guidance will be effective for the first annual period beginning after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In January 2014, the FASB issued guidance that allows private companies an accounting alternative for the subsequent measurement of goodwill. An entity that elects the accounting alternative should amortize goodwill on a straight-line basis over a period of up to 10 years. The guidance will be effective for the first annual period beginning after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In April 2014, the FASB issued guidance which changed the criteria for reporting discontinued operations. Under the new guidance, a disposal of a component or group of components of an entity is only classified as discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations. The guidance is effective for annual financial statements with fiscal years beginning on or after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In August 2014, the FASB issued guidance that defined management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for annual periods ending after December 15, 2016. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In December 2014, the FASB issued guidance which allows a private company the accounting alternative to no longer recognize separately from goodwill customer-related intangible assets, unless they are capable of being sold or licensed independently from the other assets of the business, or noncompetition agreements. An entity that elects this accounting alternative must adopt the private company alternative to amortize goodwill. The decision to adopt the accounting alternative must be made upon the occurrence of the first transaction within the scope of this accounting alternative in fiscal years beginning after December 15, 2015. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

Acquisitions

In February 2014, the Company acquired 100% of the issued and outstanding capital stock of an independent insurance agency. The Company acquired the agency to maintain certain customer relationships and expand its business to new brokers. The following table summarizes the consideration paid for the business, and the amounts of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Consideration		
Cash	$	900
Contingent consideration		100
Fair value of consideration transferred	$	1,000
Recognized amounts of identifiable assets acquired		
Cash	$	34
Customer relationships		270
Noncompete agreement		67
Total assets		371
Recognized amounts of identifiable liabilities assumed		
Other liabilities		34
Total liabilities		34
Net identifiable assets acquired		337
Goodwill		663
	$	1,000

The goodwill of $663,000 arising from the acquisition represents the expected synergies and other benefits that the Company believes will result from combining operations of the Company and the insurance agency. None of the goodwill recognized is expected to be deductible for income tax purposes. The Company did not incur any acquisition-related costs.

2. Investments

Summary of Fair Value and Cost Information for Fixed Maturity and Equity Securities

Available-for-sale fixed maturity and equity securities are stated at fair value. Unrealized investment gains and losses, net of adjustments to deferred policy acquisition costs (DPAC) (see Note 5); unearned revenue liabilities (see Note 8); and deferred income taxes (see Note 14) are reported as a separate component of accumulated other comprehensive income in equity (see Note 17). The adjustments to DPAC and unearned revenue liabilities represent changes in the amortization of DPAC and unearned revenue liabilities that would have been required as a charge or credit to income had such unrealized amounts been realized.

The fair values for actively traded fixed maturity securities are determined based upon quoted market prices (see Note 19). Fair values for privately placed fixed maturity securities and those without an active market are determined utilizing an industry-standard pricing model. The model considers the current level of risk-free interest rates, current corporate spreads, the credit quality of the issuer, and the cash flow characteristics of the security. Utilizing this data, the model generates fair values that the Company considers reflective of the current fair value of each privately placed fixed maturity security. The Company also subscribes to several commercial pricing services that provide estimated fair values.

The following tables provide fair value and cost or amortized cost, together with gross unrealized gains and losses, for fixed maturity and equity securities at December 31 (in thousands):

	2014		2013	
	Fair Value	**Cost or Amortized Cost**	**Fair Value**	**Cost or Amortized Cost**
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ 5,945**	**$ 5,522**	$ 8,008	$ 7,751
Obligations of foreign governments	**526,031**	**495,994**	525,959	504,270
Obligations of U.S. states and municipalities	**69,246**	**62,285**	52,768	50,484
Corporate obligations	**1,464,368**	**1,351,349**	1,469,797	1,363,055
Residential mortgage-backed securities	**145,386**	**136,757**	136,183	128,936
Commercial mortgage-backed securities	**69,914**	**67,082**	25,073	25,634
Other asset-backed securities	**37,750**	**31,379**	36,148	34,140
Redeemable preferred stocks	**11,503**	**11,090**	8,518	7,861
Total fixed maturity securities	**$ 2,330,143**	**$ 2,161,458**	$ 2,262,454	$ 2,122,131
Equity securities:				
Domestic financial services	**$ 55,429**	**$ 53,821**	$ 21,959	$ 21,740
Domestic industrial	**43,233**	**45,678**	—	—
Domestic utilities	**29,703**	**27,601**	12,254	12,333
International financial services	**952**	**957**	935	1,091
International industrial	**1,144**	**1,105**	738	1,091
International utilities	**103**	**80**	132	99
Total equity securities	**$ 130,564**	**$ 129,242**	$ 36,018	$ 36,354

	2014		2013	
	Unrealized Gains	**Unrealized Losses**	**Unrealized Gains**	**Unrealized Losses**
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ 423**	**$ —**	$ 282	$ 25
Obligations of foreign governments	**33,911**	**3,874**	30,042	8,353
Obligations of U.S. states and municipalities	**6,976**	**15**	3,047	763
Corporate obligations	**119,174**	**6,155**	118,498	11,756
Residential mortgage-backed securities	**9,018**	**389**	7,641	394
Commercial mortgage-backed securities	**3,033**	**201**	326	887
Other asset-backed securities	**6,702**	**331**	2,852	844
Redeemable preferred stocks	**418**	**5**	657	—
Total fixed maturity securities	**179,655**	**10,970**	163,345	23,022
Equity securities:				
Domestic financial services	**1,708**	**100**	707	488
Domestic industrial	**25**	**2,470**	—	—
Domestic utilities	**2,102**	**—**	80	159
International financial	**—**	**5**	1	157
International industrial	**102**	**63**	31	384
International utilities	**23**	**—**	33	—
Total equity securities	**3,960**	**2,638**	852	1,188
Gross unrealized gains and losses on fixed maturity and equity securities	**$ 183,615**	**$ 13,608**	$ 164,197	$ 24,210
Net unrealized gains on fixed maturity and equity securities	**$ 170,007**		$ 139,987	

Analysis of Unrealized Losses on Fixed Maturity and Equity Securities

The Company reviews and analyzes its securities on an ongoing basis to determine whether impairments exist that are other-than-temporary. Based upon these analyses, an individual security value is written down to fair value through earnings as a realized investment loss if the security's decline in value is considered to be other-than-temporary. The Company considers various factors in determining whether a decline in the fair value of an individual security is other-than-temporary, including, but not limited to, the length of time and magnitude of the unrealized loss, the volatility of the market price of the security, analysts' recommendations, market liquidity, and the Company's intent and ability to hold the security until it recovers its value.

The Company has a policy and process in place to identify securities that could potentially have an impairment that is considered other-than-temporary. This process involves monitoring market events that could affect issuers' credit ratings, the business climate, management changes, litigation and government actions, and other similar factors. This process also involves monitoring late payments, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts, and cash flow projections as indicators of credit issues.

All securities are reviewed to determine whether impairments have occurred. This process includes an assessment of the credit quality of each investment in the entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 80% of amortized cost. Further, detailed analysis is performed for each issue or issues that experience a formal restructuring or in cases where the security has experienced material deterioration in fair value or a deterioration in value over an extended period of time.

The Company considers relevant facts and circumstances in evaluating whether the impairment of a security is other-than-temporary. Relevant facts and circumstances considered for fixed maturity securities include the following: the current fair value of the security as compared to cost; the length of time the fair value has been below cost; the financial position of the issuer, including the current and future effect of any specific event; and the Company’s intent to sell a security or whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost. The Company also assesses the risk that an issuer’s ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer, the risk that the economic outlook will be worse than expected or have more of an effect on the issuer than anticipated, the risk that fraudulent information could be provided to the Company’s investment professionals who determine the fair value estimates, and the risk that new information obtained by the Company or changes in other facts and circumstances lead the Company to change its intent to hold the security to maturity or until it recovers in value. For equity securities, considerations include the Company’s ability and intent to hold the security until it recovers in value in the near term.

The Company recorded $11,000 and $25,000 of other-than-temporary impairments related to fixed maturity securities in 2014 and 2013, respectively, and $471,000 of other-than-temporary impairments related to equity securities in 2014. The Company did not recognize any other-than-temporary impairments related to equity securities in 2013. Other-than-temporary impairments of fixed maturity securities are recorded within net realized investments (losses) gains in the consolidated statement of comprehensive income. The following table provides additional information regarding the period of continuous unrealized loss for fixed maturity and equity securities for December 31 (in thousands):

	2014		2013	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Less than 12 months				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ —**	**$ —**	$ 1,975	$ 25
Obligations of foreign governments	**64,386**	**1,597**	118,327	8,346
Obligations of U.S. states and municipalities	**30**	**3**	16,152	763
Corporate obligations	**98,231**	**3,300**	189,001	9,372
Residential mortgage-backed securities	**11,283**	**172**	5,517	64
Commercial mortgage-backed securities	**7,004**	**201**	18,138	851
Other asset-backed securities	**—**	**—**	5,807	51
Redeemable preferred stocks	**3,103**	**5**	—	—
Total fixed maturity securities	**184,037**	**5,278**	354,917	19,472
Equity securities:				
Domestic financial services	**9,414**	**100**	9,574	488
Domestic industrial	**42,928**	**2,470**	—	—
Domestic utilities	**—**	**—**	5,985	159
International financial services	**139**	**5**	790	94
International industrial	**491**	**63**	101	74
Total equity securities	**52,972**	**2,638**	16,450	815
Total fixed maturity and equity securities	**$ 237,009**	**$ 7,916**	$ 371,367	$ 20,287

	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
12 months or longer				
Fixed maturity securities:				
Obligations of foreign governments	**$ 32,570**	**$ 2,277**	$ 2,875	$ 7
Obligations of U.S. states and municipalities	**2,263**	**12**	—	—
Corporate obligations	**65,501**	**2,855**	22,591	2,384
Residential mortgage-backed securities	**9,936**	**217**	18,062	330
Commercial mortgage-backed securities	**—**	**—**	2,782	36
Other asset-backed securities	**1,292**	**331**	3,493	793
Total fixed maturity securities	**111,562**	**5,692**	49,803	3,550
Equity securities:				
International financial services	**—**	**—**	76	63
International industrial	**—**	**—**	535	310
Total equity securities	**—**	**—**	611	373
Total fixed maturity and equity securities	**$ 111,562**	**$ 5,692**	$ 50,414	$ 3,923
Total	**$ 348,571**	**$ 13,608**	$ 421,781	$ 24,210

The Company did not hold securities of any corporation or its affiliates that exceeded 10% of equity.

The Company is exposed to the risk that issuers of securities owned by the Company will default or that interest rates or credit spreads will change and cause a decrease in the value of its investments. With mortgage-backed securities, the Company is also exposed to prepayment and extension risks. As interest rates change, the rate at which these securities pay down principal may change. These risks are mitigated by investing in high-grade securities and managing the maturities and cash flows of investments and liabilities.

Subprime securities include all fixed maturity securities or portions of fixed maturity securities whereby the underlying collateral is made up of home equity loans or first mortgage loans to borrowers whose credit scores at the time of origination were lower than the level recognized in the market as prime. At December 31, 2014 and 2013, the Company had no subprime exposure.

The Company invests in fixed maturity securities issued by the governments of the Latin American and Caribbean countries in which it operates. In some instances, the securities fulfill local regulatory requirements, but in most cases they offer an attractive risk/return investment option for the investment of the insurance reserves in those countries.

Contractual Maturities of Fixed Maturity Securities

The following table provides the distribution of maturities for fixed maturity securities as of December 31, 2014 (in thousands). Expected maturities may differ from these contractual maturities because certain borrowers have the right to call or prepay obligations. Mortgage-backed and other asset-backed securities of $253.1 million (fair value) have been included in the table based upon management's estimate of their maturities.

	Fair Value	Amortized Cost
Due in one year or less	$ 118,324	$ 116,210
Due after one year through five years	806,061	734,108
Due after five years through ten years	642,557	606,797
Due after ten years	763,201	704,343
Total fixed maturity securities	$ 2,330,143	$ 2,161,458

Policy Loans

Policy loans are carried at the unpaid principal balance. Interest income on policy loans is recorded as earned in net investment income using the contractually agreed-upon interest rate. Valuation allowances are not established for policy loans, as these loans are fully collateralized by the cash surrender value of the underlying insurance policies.

Joint Ventures and Limited Partnerships

The Company's investments in joint ventures and limited partnerships are primarily recorded using the cost method of accounting, as the Company has minor equity investments and no significant influence over the joint venture or limited partnership operations. Certain investments in joint ventures are recorded based on the equity method of accounting when it is determined that the Company has significant influence over the joint ventures' operations. An analysis of investments in joint ventures and limited partnerships at December 31 is as follows (in thousands):

	2014	**2013**
Cost basis investments	**$ 39,262**	$ 33,762
Equity-method investments	**1,181**	530
Total joint ventures and limited partnerships	**$ 40,443**	$ 34,292

It is the Company's policy to review all cost-method investments for impairment. The Company estimated that the fair value exceeded cost, and therefore was not impaired, for investments with an aggregate cost of $26.3 million. The remaining $13.0 million of investments where the fair value is less than cost are not considered to be other-than-temporarily impaired due to the near-term prospects of the investees and the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value. In 2014 and 2013, the Company recorded other-than-temporary impairments related to limited partnerships in the amounts of $910,000 and $1,541,000, respectively. Other-than-temporary impairments of joint ventures and limited partnerships are recorded within net realized investments gains (losses) in the consolidated statement of comprehensive income.

At December 31, 2014, the Company is obligated to invest an additional $45.2 million in certain limited partnerships under provisions of the related subscription agreements.

Mortgage Loans on Real Estate

The Company invests in mortgage loans collateralized by commercial and residential real estate. Mortgage loans are carried at unpaid principal balances, adjusted for amortization of premium and accretion of discount. Interest income is accrued on the principal balance of the loan based on the contractual interest rate. A loan is considered impaired if it is probable that contractual amounts due will not be collected. Loans in foreclosure and loans considered to be impaired are placed on a nonaccrual status. Interest income received from loans on a nonaccrual status is recognized on a cash basis. If all delinquent payments are made and the loan is brought current, the Company returns the loan to active status and accrues income accordingly.

The maximum percentage of any one loan to the value of the security at the origination of the loan, exclusive of insured or guaranteed purchase money mortgages, was 80%. The Company had no impaired loans for which there was a specific allowance for credit losses at December 31, 2014 or 2013.

In 2014 and 2013, the Company recorded impairments related to mortgage loans in the amount of $67,000 and $58,000, respectively.

The Company's mortgage loans finance various types of commercial and residential properties within the United States, the Caribbean, and certain Latin American countries. The geographic distributions of the mortgage loans at December 31 are as follows (in thousands):

	2014	2013
El Salvador	**$ 634**	$ 746
Honduras	**431**	681
Dominica	**524**	554
United States:		
Texas	**417**	494
Missouri	**230**	393
Oklahoma	**179**	325
All other states	**—**	2
Total mortgage loans	**$ 2,415**	$ 3,195

Investments in Real Estate

The Company's investments in real estate consist of real estate that the Company has the intent to hold for the production of income and are carried at depreciated cost, less any write-downs to fair value for impairment losses.

The Company's investments in real estate are reviewed for impairment whenever events or circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized when the carrying value of the investment in real estate exceeds the estimated undiscounted future cash flows (excluding interest charges) from the investment. At that time, the carrying value of the investment in real estate is written down to fair value. Decreases in the carrying values of investments in real estate due to other-than-temporary impairments are recorded in other-than-temporary impairment losses. Depreciation on real estate is computed using the straight-line method over the estimated lives of the properties and is included as a charge to net investment income.

The Company invests directly in certain commercial real estate properties located in Latin America and the Caribbean. The geographic distribution of the real estate investments at December 31, is as follows (in thousands):

	2014	2013
El Salvador	**$ 9,500**	$ 9,926
Curacao	**2,856**	2,898
Trinidad and Tobago	**1,352**	1,299
Honduras	**1,041**	1,041
Ecuador	**189**	189
	14,938	15,353
Accumulated depreciation	**(3,900)**	(3,906)
Total investments in real estate	**$ 11,038**	$ 11,447

The minimum aggregate rental income commitments are as follows for the five succeeding years (in thousands): 2015 – $1,775; 2016 – $1,022; 2017 – $215; 2018 – $206; 2019 – $172.

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less when purchased. Cash of approximately $21.7 million and $39.5 million at December 31, 2014 and 2013, respectively, was maintained as compensating balances with several institutions for banking services rendered.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are fixed maturity securities, mortgage loans, stocks, and accounts receivable. The Company limits the amount of credit exposure with any one financial institution, issuer, mortgagee, and customer, and believes that no significant concentration of credit risk exists with respect to these assets or other cash investments.

Net Investment Income and Net Realized and Unrealized Investment Gains and Losses

Investment income is recognized when earned. Realized gains and losses on the sale of investments are determined on the basis of specific security identification recorded on the trade date. Premiums and discounts on fixed maturity securities are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method.

Investment income on mortgage-backed fixed maturity securities is initially based upon yield, cash flow, and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective method, except for adjustable-rate mortgage-backed securities, where the prospective method is used. Under the retrospective method, the amortized cost of a security is adjusted to the amount that would have existed had the revised assumptions been in place at the time of purchase. Under the prospective method, future cash flows are estimated and interest income is recognized going forward using the new internal rate of return. The adjustments to amortized cost under both methods are recorded as a charge or credit to net investment income.

Net investment income by major category for the years ended December 31, is provided in the following table (in thousands):

	2014	2013
Interest on fixed maturity securities	**$ 122,463**	$ 119,851
Interest on policy loans	**8,869**	9,072
Joint venture and limited partnership distributions	**3,693**	3,629
Interest on short-term investments, cash, and cash equivalents	**2,954**	2,640
Real estate rental income	**2,452**	2,582
Dividends on equity securities	**5,059**	2,542
Interest on mortgage loans	**383**	361
Total investment income	**145,873**	140,677
Less: investment expenses	**(7,642)**	(7,312)
Net investment income	**$ 138,231**	$ 133,365

Net realized investment gains (losses), for the years ended December 31, were from the following sources (in thousands):

	2014	2013
Fixed maturity securities	**$ 10,761**	$ 5,496
Equity securities	**(1,113)**	2,027
Joint ventures	**(1,508)**	(2,527)
Real estate	**6,393**	11
Mortgage loans	**(18)**	(57)
Derivatives	**(6,854)**	(5,172)
Other	**—**	(4)
Total	**$ 7,661**	$ (226)

Proceeds from the sales of available-for-sale securities were $450,497,000 and $184,149,000 during 2014 and 2013, respectively. The table below provides gross realized gains and losses on the sale of available-for-sale securities, including other-than-temporary impairments of investments, for the years ended December 31 (in thousands):

	2014			2013		
	Gross Gains	Gross Losses	Net Gains (Losses)	Gross Gains	Gross Losses	Net Gains
Fixed maturity securities	**$ 11,931**	**$ (1,170)**	**$ 10,761**	$ 11,814	$ (6,318)	$ 5,496
Equity securities	**—**	**(1,113)**	**(1,113)**	2,603	(576)	2,027
Total	**$ 11,931**	**$ (2,283)**	**$ 9,648**	$ 14,417	$ (6,894)	$ 7,523

The following table provides the components of net unrealized gains and losses on investments included in other comprehensive income for the years ended December 31 (in thousands):

	2014	2013
Net unrealized gains (losses) on fixed maturity securities	**$ 39,123**	$ (69,191)
Reclassification adjustment for realized gains on fixed maturity securities included in net income	**(10,761)**	(5,496)
Net unrealized gains on equity securities	**545**	1,580
Reclassification adjustment for realized losses (gains) on equity securities included in net income	**1,113**	(2,027)
	30,020	(75,134)
Applicable adjustment for DPAC	**(3,983)**	30,996
Applicable adjustment for unearned revenue liabilities	**1,253**	(1,599)
Applicable adjustment for reinsurance	**(405)**	—
Applicable income taxes	**973**	2,299
Net unrealized gains (losses) on investments for the year	**$ 27,858**	$ (43,438)

3. Derivatives and Hedging

Accounting and Strategies for Derivatives

In the normal course of business, the Company is subject to risk from adverse fluctuations in interest rates and credit and equity markets. The Company manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and options. Counterparties to these contracts are major financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not use derivative instruments for trading or speculative purposes.

The Company's objective in managing exposure to market risk is to limit the effect on earnings and cash flows. The extent to which the Company uses such instruments is dependent on its access to these contracts in the financial markets.

All of the Company's outstanding derivative financial instruments are recognized in the balance sheet at their fair values. The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. Changes in the fair values of instruments designated to reduce or eliminate adverse fluctuations in the fair values of the Company's invested assets are reported currently in earnings along with changes in the fair values of the hedged items.

Changes in the effective portions of the fair values of instruments used to reduce or eliminate adverse fluctuations in cash flows are reported in equity as a component of accumulated other comprehensive income. Amounts in accumulated other comprehensive income are reclassified to earnings when the related hedged items affect earnings or when the anticipated transactions are no longer probable. Changes in the fair values of derivative instruments that are not designated as hedges or that do not qualify for hedge accounting treatment are reported currently in earnings. Amounts reported in earnings are classified consistent with the item being hedged.

For derivative financial instruments accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective, and the manner in which effectiveness of the hedge will be assessed. The Company formally assesses, both at inception and at each reporting period thereafter, whether the derivative financial instruments used in hedging transactions are effective in offsetting changes in cash flows of the related underlying exposures. Any ineffective portion of the change in fair value of the instruments is recognized immediately in earnings.

The Company discontinues the use of hedge accounting prospectively when (1) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item; (2) the derivative instrument expires, is sold, terminated, or exercised; or (3) designating the derivative instrument as a hedge is no longer appropriate.

Cash Flow Hedges

The Company designates certain derivative financial instruments as cash flow hedges. No components of the hedging instruments are excluded from the assessment of hedge effectiveness. All changes in fair value of outstanding derivatives in cash flow hedges, except any ineffective portion, are recorded in other comprehensive income until earnings are impacted by the hedged transaction. Classification of the gain or loss in net income upon release from other comprehensive income is the same as that of the underlying exposure.

When the Company discontinues hedge accounting because it is no longer probable that an anticipated transaction will occur in the originally expected period, changes to fair value accumulated in other comprehensive income are recognized immediately in earnings.

The Company uses an interest rate swap to manage the interest payments on its variable-rate debt. At December 31, 2014 and 2013, the Company has one swap outstanding, which expires in December 2025, with a notional value of $50 million.

The swap has been and continues to be effective in mitigating the risk of changes in interest rates because the critical terms of the swap, including the notional amount, interest reset dates, and underlying interest rate benchmarks, match those of the debt.

Equity Derivatives

During 2013, the Company used an equity index put option to manage fluctuations in fair value of the assets backing the Company's defined benefit pension plan. To protect against any adverse changes in equity indices, the Company entered into a contract to sell the equity index within a limited time at a contracted price. The put option did not qualify for hedge accounting. The contract was net settled in cash based on differentials in the indices at the time of exercise and the strike price. The contract was settled on December 31, 2013, and the Company recognized a pre-tax loss of $1,715,000 in net income during 2013.

Interest Rate Derivatives

The Company uses a swaption to manage interest rate risk associated with the Company's invested assets. A swaption is an option to enter into a swap with a forward starting effective date. The swaption does not qualify for hedge accounting. At December 31, 2014 and 2013, the Company has one swaption outstanding, which expires in December 2020, with a notional value of $1 billion.

As part of the swaption, the Company has posted $8.4 million and $3.1 million in cash collateral as of December 31, 2014 and 2013, respectively. The collateral is reported within other assets of continuing operations.

Fair Value Amounts and Gains and Losses on Derivative Instruments

The following table presents the gross notional amount, estimated fair value, and primary underlying risk exposure of the Company's derivatives as of December 31, 2014 (in thousands):

	Underlying Risk Exposure	Notional Amount	Estimated Fair Value: Asset	Estimated Fair Value: Liability
Cash Flow Hedges				
Interest rate swap	Interest rate	$ 50,000	$ —	$ 6,705
Derivatives Not Designated as Hedges				
Swaption	Interest rate	1,000,000	89	—

The following table presents the gross notional amount, estimated fair value, and primary underlying risk exposure of the Company's derivatives as of December 31, 2013 (in thousands):

	Underlying Risk Exposure	Notional Amount	Estimated Fair Value: Asset	Estimated Fair Value: Liability
Cash Flow Hedges				
Interest rate swap	Interest rate	$ 50,000	$ —	$ 266
Derivatives Not Designated as Hedges				
Swaption	Interest rate	1,000,000	6,943	—

The estimated fair value of all derivatives in an asset position is reported within other assets of continuing operations and the estimated fair value of all derivatives in a liability position is reported within other liabilities of continuing operations in the consolidated balance sheet.

The following table presents the gains or losses, as well as the applicable financial statement caption that the amounts are recorded in on the consolidated statement of comprehensive income, related to the Company's derivatives for the year ended December 31:

	Statement of Comprehensive Income Location	Loss: 2014	Loss: 2013
Cash Flow Hedges			
Interest rate swap	Unrealized losses on derivatives	$ (6,439)	$ (266)
Derivatives Not Designated as Hedges			
Swaption	Net realized investment gains (losses)	(6,854)	(3,457)
Equity index option	Net realized investment gains (losses)	—	(1,715)

The effective portion of the loss on the Company's cash flow hedge recorded in accumulated other comprehensive income within the consolidated balance sheet was $6.7 million and $266,000 as of December 31, 2014 and 2013, respectively. There were no amounts recorded during 2014 or 2013 related to hedge ineffectiveness.

4. Property and Equipment

Property and equipment used by the Company in its insurance operations are recorded at cost and depreciated over estimated useful lives using the straight-line method. Home office buildings owned by certain affiliates are depreciated over 25 to 50 years, and furniture and equipment are depreciated over 3 to 15 years. Internal and external software application development costs are capitalized. Software applications are amortized on a straight-line basis. Operating software is amortized over a three-year period, and non-operating software is amortized over five to seven years.

Balances in property and equipment for the years ended December 31, are as follows (in thousands):

	2014	2013
Land	**$ 1,104**	$ 1,104
Buildings	**31,881**	32,165
Furniture and equipment	**18,948**	17,440
Software applications	**17,313**	14,776
Leasehold improvements	**1,607**	919
Total property and equipment, at cost	**70,853**	66,404
Less: accumulated depreciation and amortization	**(22,191)**	(20,949)
Total property and equipment – net	**$ 48,662**	$ 45,455

For the years ended December 31, 2014 and 2013, depreciation and amortization expense for property and equipment was approximately $4,068,000 and $1,628,000, respectively, including amortization of software applications of $1,802,000 and $813,000, respectively.

In December 2006, the Company sold its home office building, located in New Orleans, Louisiana, to an unaffiliated company in a sale-leaseback transaction. In conjunction with the sale, the Company leased back office space pursuant to a ten-year lease commencing in October 2007. During 2014, the Company extended the term of its lease through September 2024. The minimum aggregate rental commitments under that lease are as follows (in thousands):

Year Ending December 31	**Amounts**
2015	**$ 1,324**
2016	**1,361**
2017	**1,366**
2018	**1,305**
2019	**1,333**
Thereafter	**6,558**
Total	**$ 13,247**

Rents during the renewal periods could escalate with the prevailing market rental rates of similar Class A office space in New Orleans.

In connection with the sale, the Company recorded a deferred gain of $6,563,000, which is being amortized as an offset to annual rental expense over the lease term. In 2014 and 2013, the Company amortized $543,000 and $656,000 respectively, of the deferred gain on the sale of the home office building as an offset to rental expense. At December 31, 2014 and 2013, the deferred gain recorded in other liabilities on the consolidated balance sheet was $1,918,000 and $2,461,000, respectively.

The Company also leases other office space and equipment for its operations in the United States, Latin America, and the Caribbean under the terms of operating leases. The minimum aggregate rental commitments are as follows (in thousands):

Year Ending December 31	**Amounts**
2015	$ **2,375**
2016	**1,437**
2017	**581**
2018	**178**
2019	**115**
Thereafter	**48**
Total	$ **4,734**

5. Deferred Policy Acquisition Costs

DPAC represents the incremental direct costs of successful contract acquisition, such as commissions, as well as certain other costs related directly to acquisition activities such as underwriting, policy issuance and processing, medical exams and inspections, and certain sales inducements. These costs, which are directly related to the production of new business, are deferred to the extent recoverable and then amortized over time. Other incurred costs that are not directly related to the successful acquisition of new or renewal insurance contracts are charged to expense as incurred.

The methodology for determining the amortization of DPAC varies by product type. For certain products, primarily universal life, deferred costs are amortized in proportion to the expected future profits of the business. Profit expectations are based upon assumptions of future interest spreads, mortality margins, expense margins, and policy and premium persistency experience. These assumptions involve judgment and are compared to actual experience on an ongoing basis. If it is determined that the assumptions related to the profit expectations for universal life products should be revised, the effect of the change is reported in the current period's income. For other products, primarily term life, the deferred costs are amortized on a straight-line basis or as a level percentage of premium, depending on the block of business.

DPAC is reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. If it is determined from emerging experience that the premium margins or gross profits are insufficient to amortize deferred costs, then the asset will be adjusted downward, with the adjustment recorded as an expense in the current period. No such adjustment was required during 2014 or 2013.

In addition, the DPAC asset is adjusted to reflect the effect of unrealized gains and losses on fixed maturity securities available for sale, as described in Note 2.

The balances of and changes in deferred policy acquisition costs as of December 31, and for the years then ended, are as follows (in thousands):

	2014	2013
Balance at beginning of year	**$ 136,036**	$ 91,973
Capitalization of commissions, sales, and issue expenses	**26,606**	26,109
Amortization charged to net income	**(16,504)**	(13,023)
Amortization (charged) credited to other comprehensive income	**(3,983)**	30,996
Foreign currency translation adjustment credited (charged) to net income	**109**	(47)
Foreign currency translation adjustment (charged) credited to other comprehensive income	**(3)**	28
Balance at end of year	**$ 142,261**	$ 136,036

The December 31, 2014 and 2013, balances are net of $(54,218,000) and $(50,235,000), respectively, applicable to unrealized investment gains included in accumulated other comprehensive income (see Note 17).

6. Value of Business Acquired

Value of business acquired (VOBA) represents the value of future profits embedded in acquired insurance policies and is calculated as the difference between the following:

- The fair value of the contractual insurance and reinsurance assets acquired and liabilities assumed
- The contractual insurance and reinsurance assets acquired and liabilities assumed measured in accordance with the acquirer's accounting policies for insurance and reinsurance contracts that it issues or holds

Information related to the change in VOBA balance during the year is as follows (in thousands):

	2014	2013
Balance at beginning of year	**$ 8,764**	$ 10,407
Amortization charged to net income	**(924)**	(1,629)
Foreign currency translation adjustment credited (charged) to net income	**76**	(14)
Balance at end of year	**$ 7,916**	$ 8,764
Accumulated amortization	**$ 3,566**	$ 2,642

Estimated amortization expense for VOBA for each of the five succeeding fiscal years is as follows (in thousands): 2015 – $973; 2016 – $854; 2017 – $750; 2018 – $666; 2019 – $590.

7. Goodwill and Other Intangible Assets

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

The changes in the carrying amount of goodwill during the year are as follows (in thousands):

	2014	2013
Balance at beginning of year	**$ 3,112**	$ 3,112
Goodwill acquired during year	**663**	—
Balance at end of year	**$ 3,775**	$ 3,112

The Company has intangible assets from acquisitions in 2009 and 2014 related to noncompete agreements. The noncompete agreement acquired in 2014 has an estimated useful life of three years.

The Company has an intangible asset related to a nonsolicitation agreement from a prior acquisition in 2011. The amortization period of the nonsolicitation agreement is six years and is based on the average expected tenure of sales executives and their related broker and agent relationships.

The Company has an intangible asset related to customer relationships acquired in 2014. The customer relationships have an estimated useful life of ten years.

The Company had previously recognized an intangible asset related to an assumed book of accounts for limited health and ancillary products (the Closed Book). During 2014 the Closed Book became fully amortized and was written off.

Balances of intangible assets were as follows as of December 31 (in thousands):

	2014		2013	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets:				
Noncompete agreements	**$ 5,484**	**$ (3,137)**	$ 5,417	$ (2,243)
Nonsolicitation agreement	**3,060**	**(2,654)**	5,087	(1,613)
Customer relationships	**270**	**(25)**	—	—
Closed Book	**—**	**—**	277	(271)
Total	**$ 8,814**	**$ (5,816)**	$ 10,781	$ (4,127)
Unamortized intangible assets:				
Insurance licenses	**$ 115**		$ 345	
Total	**$ 115**		$ 345	

No significant residual value is estimated for these intangible assets. Aggregate amortization expense for the years ended December 31, 2014 and 2013, was approximately $1,966,000 and $2,065,000, respectively. During 2014, the Company disposed of two insurance licenses with a combined carrying value of $230,000, and recognized the loss on disposal within underwriting and other insurance operating expenses in the accompanying consolidated statement of comprehensive income.

Estimated amortization of intangible assets for the succeeding five years is as follows (in thousands): 2015 – $983; 2016 – $830; 2017 – $598; 2018 – $450; 2019 – $27.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized.

The Company performed an impairment test of the carrying value of the nonsolicitation agreement to determine whether any impairment existed. The Company determined that the sum of the expected undiscounted cash flows attributable to the nonsolicitation agreement was less than its carrying value and that an impairment was required. Accordingly, the Company calculated the estimated fair value of the intangible asset by summing the present value of the expected cash flows over its life. This assessment resulted in an impairment of $2.0 million, which was included in "Underwriting and other insurance operating expenses" in the accompanying consolidated statement of comprehensive income for the year ended December 31, 2014.

8. Policyholder Benefits

Policyholder Account Balances and Other Policyholder Funds

Liabilities for universal life-type contracts are included in policyholder account balances, without reduction for potential surrender charges. Policyholder benefits incurred in excess of related policyholder account balances are charged to policyholder benefits expense. Interest on policyholder account balances is credited as earned.

Amounts for policyholder account balances at December 31, are as follows (in thousands):

	2014	2013
Policyholder account balances	**$ 1,424,604**	$ 1,354,063
Unearned revenue liability	**55,783**	43,939
Dividend accumulations and dividends payable	**41,689**	42,702
Policyholder account balances and other policyholder funds	**$ 1,522,076**	$ 1,440,704

The December 31, 2014 and 2013, balances are net of $3,360,000 and $2,107,000, respectively, applicable to unrealized investment gains included in accumulated other comprehensive income (see Note 17).

Crediting rates for universal life insurance and fixed deferred annuity products ranged from 2.5% to 6.0% in 2014 and 2013.

Future Policy Benefits

Liabilities for future policy benefits of traditional life insurance have been computed by a net level premium method based upon estimates at the time of issue for investment yields, mortality, and withdrawals. These estimates include provisions for experience less favorable than actually expected. Mortality assumptions are based on the Company's experience expressed as a percentage of standard mortality tables.

Liabilities for future policy benefits of immediate annuities and supplementary contracts with life contingencies are also computed by a net level premium method, based upon estimates at the time of issue for investment yields and mortality.

Liabilities for future policy benefits of accident and health insurance represent estimates of payments to be made on reported insurance claims, as well as claims incurred but not yet reported. These liabilities are estimated using actuarial analyses, claim trends, and industry experience.

Liabilities for future policy benefits of deferred annuities represent the cash surrender value of the contract.

Unearned revenue liabilities, principally unearned administrative fees on universal life products, are deferred to the extent recoverable and then amortized over time. Deferred amortization fees are amortized in proportion to the expected future profits of the business. Profit expectations are based upon assumptions of future interest spreads, mortality margins, expense margins, and policy and premium persistency experience. These assumptions involve judgment and are compared to actual experience on an ongoing basis. If it is determined that the assumptions related to the profit expectations for universal life products should be revised, the effect of the change is reported in the current period's income.

In conjunction with the review of DPAC (Note 5), if it is determined from emerging experience that the premium margins or gross profits are insufficient to amortize deferred costs, then the related unearned revenue liability will be adjusted downward, with the adjustment recorded as revenue in the current period. No such adjustment was required during 2014 or 2013.

In addition, the unearned revenue liabilities are adjusted to reflect the effect of unrealized gains and losses on fixed maturity securities available for sale, as described in Note 2.

For certain types of insurance contracts acquired, the estimated fair value of acquired liabilities exceeded the initial policy reserves assumed at the acquisition date, resulting in negative VOBA. Negative VOBA is recorded as an additional insurance liability in future policy benefits. The following table, to which certain reclassifications were made to the prior year amounts in order to conform to the current year presentation, provides the change in negative VOBA balance during the year (in thousands):

	2014	2013
Balance at beginning of year	**$ 97,877**	$ 103,011
Amortization credited to net income	**(3,635)**	(3,997)
Foreign currency translation adjustment charged (credited) to other comprehensive income	**2,240**	(1,137)
Balance at end of year	**$ 96,482**	$ 97,877
Accumulated amortization	**$ 9,459**	$ 5,824

Estimated amortization of negative VOBA for each of the five succeeding fiscal years is as follows (in thousands): 2015 – $3,967; 2016 – $4,027; 2017 – $4,158; 2018 – $4,147; 2019 – $4,215.

Participating Policies

The Company has participating insurance contracts whereby the policyholder is entitled to share in the entity's earnings through dividends. Participating business at December 31, 2014 and 2013, approximated 3% of premiums. Participating business at December 31, 2014 and 2013, approximated 15% and 16% of the life insurance in force, respectively. In some cases, the amount of dividends to be paid is controlled by dividend protection mechanisms. A provision has been made in the liability for future policy benefits to allocate amounts to participating policyholders on the basis of dividend scales most recently approved by the Board of Directors of the issuing life insurance companies. For the years ended December 31, 2014 and 2013, the Company recorded dividends of $9.3 million and $7.9 million, respectively. These amounts are included in policyholder benefits and claims in the consolidated statement of comprehensive income.

9. Unpaid Accident and Health Claims Liability

The liability for unpaid accident and health claims is included with policy and contract claims on the consolidated balance sheet. At December 31 and for the years then ended, the balances in the liabilities, as well as paid and incurred claims by incurred years, are as follows (in thousands):

	2014	2013
Current year incurred claims	**$ 228,503**	$ 216,932
Prior years incurred claims	**(1,904)**	708
Total incurred claims	**226,599**	217,640
Payments for current year incurred claims	**191,885**	174,601
Payments for prior years incurred claims	**31,099**	39,774
Total paid claims	**222,984**	214,375
Increase for the year	**3,615**	3,265
Net liability at beginning of year	**59,181**	55,916
Net liability at end of year	**62,796**	59,181
Plus reinsurance recoverable	**2,404**	2,568
Gross liability at end of year	**$ 65,200**	$ 61,749

The incurred claims related to prior years' unpaid accident and health claims reflect the unfavorable development of these liabilities resulting from the actual frequency and severity of claims differing from original estimates.

10. Revenues and Reinsurance

Premiums on accident and health and disability insurance are earned ratably over the contract period in proportion to the amount of insurance protection provided. A reserve is provided for the portion of premiums written that relate to unexpired terms of coverage. Traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of whole life insurance, term life insurance, and certain annuities with life contingencies. Premiums for traditional life and insurance products are reported as revenue when due.

Deposits related to universal life, fixed deferred annuity contracts, and investment-type products are reported as deposits to policyholder account balances. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, as well as policy administration and surrender charges, and are recognized in the period in which the services are provided. Surrender charges are recognized upon surrender of a contract by the contract holder in accordance with contractual terms.

In the normal course of business, the Company cedes risks to other insurers, primarily to protect the Company against adverse fluctuations in mortality and morbidity experience. Business is reinsured primarily through yearly renewable term and coinsurance agreements. Under yearly renewable term insurance, the Company pays annual premiums, and the reinsurer reimburses claims paid related to this coverage. Under coinsurance, the reinsurer receives a proportionate share of the premiums, less applicable commissions, and is liable for a corresponding share of policy benefits. The Company remains liable if the reinsurer should be unable to meet obligations assumed under the reinsurance contract. The Company also assumes risks ceded by other companies.

Reinsurance receivables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policy benefits, and policyholder account balances. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. Premiums, benefits, and changes in DPAC are reported net of insurance ceded. DPAC, amounts recoverable, and other amounts due from reinsurers are reported on a gross basis.

The table below provides information about reinsurance as of and for the years ended December 31:

	2014			
	Direct	**Ceded**	**Assumed**	**Net**
Premiums earned (in thousands):				
Accident and health	**$ 414,577**	**$ (58,525)**	**$ 3,287**	**$ 359,339**
Life insurance	**94,709**	**(16,032)**	**7,284**	**85,961**
Total premiums earned	**$ 509,286**	**$ (74,557)**	**$ 10,571**	**$ 445,300**
Policyholder benefits and claims (in thousands):				
Accident and health	**$ 275,891**	**$ (40,529)**	**$ 3,232**	**$ 238,594**
Life insurance	**97,302**	**(9,456)**	**5,183**	**93,029**
Total policyholder benefits and claims	**$ 373,193**	**$ (49,985)**	**$ 8,415**	**$ 331,623**
Life insurance in force (in millions)	**$ 36,480**	**$ (3,408)**	**$ 617**	**$ 33,689**

	2013			
	Direct	**Ceded**	**Assumed**	**Net**
Premiums earned (in thousands):				
Accident and health	$ 395,448	$ (65,028)	$ 3,646	$ 334,066
Life insurance	86,410	(15,178)	6,028	77,260
Total premiums earned	$ 481,858	$ (80,206)	$ 9,674	$ 411,326
Policyholder benefits and claims (in thousands):				
Accident and health	$ 257,426	$ (42,124)	$ 514	$ 215,816
Life insurance	106,887	(12,695)	3,422	97,614
Total policyholder benefits and claims	$ 364,313	$ (54,819)	$ 3,936	$ 313,430
Life insurance in force (in millions)	$ 40,249	$ (7,663)	$ 672	$ 33,258

The table below provides information about reinsurance receivables relating to claims and reserves at December 31 (in thousands):

	2014	2013
Future policy benefits ceded:		
Life insurance	**$ 32,181**	$ 27,014
Accident and health insurance	**25,409**	30,005
Total future policy benefits ceded	**57,590**	57,019
Policy and contract claims ceded:		
Life insurance	**3,763**	3,456
Accident and health insurance	**31,024**	26,198
Total policy and contract claims ceded	**34,787**	29,654
Amounts recoverable from reinsurers	**$ 92,377**	$ 86,673

The maximum retention on any one life for ordinary life plans was $1,000,000 and $600,000 for 2014 and 2013, respectively, and for group life plans was $150,000 for both 2014 and 2013. The maximum retention on any one insured for both individual major medical and group medical plans was $300,000 for both 2014 and 2013. Should reinsurers be unable to meet obligations assumed under reinsurance contracts, the Company remains liable under the insurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers on a continual basis.

11. Notes Payable

The table below presents the components of notes payable at December 31 (in thousands):

	2014	2013
Surplus note	**$ 50,000**	$ 50,000
Deferred gain on surplus note hedge	**93**	223
Total notes payable	**$ 50,093**	$ 50,223

Surplus Note

In October 2005, Pan-American Life issued a $50 million par value surplus note with a 7.8% coupon rate payable quarterly for the first ten years. Interest payments subsequent to the first ten years are payable at the London Interbank Offered Rate (LIBOR) plus 2.9%, adjustable quarterly until the note's maturity in December 2035. The note is callable in year 10 at 100% of par at Pan-American Life's option. Proceeds received were $49 million, net of a $1 million placement fee. The note is subordinated to the payment of all policy claims and all senior indebtedness, if any. Interest and principal payments may be made only with prior approval of the Louisiana Department of Insurance, only out of the statutory surplus of Pan American Life and only if, after any such payment, Pan American Life is left in possession of such assets to meet all of its liabilities, to maintain full reserve against all its policies, and to maintain the minimum capital and surplus required by applicable law and regulations of the state of Louisiana. Pan-American Life incurred $3,903,000 of interest on the surplus note in each of the years ended December 31, 2014 and 2013.

Deferred Gain on Surplus Note Hedge

Pan-American Life entered into and exited from a cash flow hedge through an interest rate forward contract during 2005 to hedge against the ten-year fixed interest rate during the issuance period of the surplus note. Pan American Life realized a $1,640,000 gain on this transaction, which will be amortized as interest expense using the effective interest rate method over the ten-year call period of the surplus note. At December 31, 2014 and 2013, the remaining unamortized gain is $93,000 and $223,000, respectively.

Line of Credit

Greenwood International, a subsidiary of the Company, has a $350,000 revolving line of credit agreement with a bank. The line of credit bears interest at a variable rate, as set by the lender, plus 1.0%, with an interest rate floor of 4.5%. Interest is due monthly with the outstanding principal due May 31, 2015. There was no balance drawn on the line of credit as of December 31, 2014 or 2013, and there was no interest expense incurred during 2014 or 2013. As of December 31, 2014 and 2013, Greenwood International had $70,000 of letters of credit issued but not drawn upon under the line of credit. Greenwood International was in compliance with all required debt covenants as of December 31, 2014.

Letters of Credit

The Company has issued letters of credit in support of certain reinsurance agreements. As of December 31, 2014 and 2013, standby letters of credit of approximately $552,000 and $150,000 have been issued, respectively. The letters of credit expire on December 31, 2015 and have not been drawn upon.

Federal Home Loan Bank

The Company is a member of the Federal Home Loan Bank of Dallas (FHLB). Through its membership, the Company may take cash advances in the amount of $84.4 million by pledging the securities in custody as collateral. It is part of the Company's strategy to utilize these funds for liquidity in general operations. Any funds obtained from the FHLB for use in general operations are accounted for consistent with accounting standards related to debt obligations.

The Company had no borrowings with the FHLB during 2014 or 2013.

The table below indicates the amount of FHLB stock purchased and assets in custody related to the agreement with FHLB at December 31.

	2014	2013
FHLB stock purchased/owned as part of the agreement	**$ 598,900**	$ 597,400
Borrowing capacity currently available	**84,362,000**	80,020,000
Agreement assets in custody with FHLB general account	**96,034,000**	99,786,000

12. Other Liabilities

The table below presents the components of other liabilities of continuing operations at December 31 (in thousands):

	2014	2013
Accounts payable and accrued expenses	**$ 26,942**	$ 26,203
Amounts payable to reinsurers	**9,933**	7,817
Deferred compensation	**9,348**	8,789
Ceded premiums due and accrued	**8,581**	7,415
Commissions due and accrued	**6,874**	8,462
Cash flow hedge liability	**6,705**	266
Remittances and items unallocated	**4,679**	8,753
Escheat liabilities	**3,913**	3,741
Accrued taxes, licenses, and fees	**3,491**	6,765
Deferred gain on sale of home office building	**2,055**	2,636
Amounts withheld from employees	**1,764**	2,661
Miscellaneous liabilities	**6,169**	7,222
Total other liabilities	**$ 90,454**	$ 90,730

13. Statutory Information and Stockholder Dividends Restriction

The table below provides Pan-American Life's net gain from operations, net income, unassigned surplus, and capital and surplus on the statutory basis used to report to regulatory authorities for the years ended December 31 (in thousands):

	2014	2013
Net gain from operations	**$ 15,287**	$ 26,635
Net income	**23,849**	27,295
Unassigned surplus at December 31	**180,277**	186,701
Capital and surplus at December 31	**237,499**	244,635

Pan-American Life may pay dividends without the prior approval of the Louisiana Department of Insurance in any consecutive 12-month period in an amount that is the lesser of statutory net gain from operations for the preceding year or 10% of statutory stockholder's equity at the end of the preceding year. For the years ended December 31, 2014 and 2013, Pan-American Life paid a dividend of $12.7 million and $28.4 million, respectively, to Pan-American Life Group. Dividends paid to Pan-American Life Group may not exceed statutory unassigned surplus. The maximum stockholder dividends payable in 2014 without prior approval is $26.6 million, the statutory net gain from operations after dividends to policyholders and before federal income taxes in 2013.

Risk-based capital is a measurement developed by U.S. insurance regulators to identify the minimum amount of capital appropriate for a U.S. insurance company to support its overall business operations based on its size and risk profile. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. The adequacy of a company's actual capital is measured by the risk-based capital results as determined by the formulas. Companies below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2014 and 2013, Pan American Life, as well as each of the life insurance company's subsidiaries, exceeded the minimum risk-based capital requirements.

The Mutual Holding Company's insurance subsidiaries are required to deposit a defined amount of assets with state regulatory authorities. Such assets, consisting of investments and cash equivalents, had an aggregate carrying value of $11.7 million at December 31, 2014 and 2013. The aggregate required capital and surplus of the Company's other foreign insurance operations was $70.3 million and the aggregate actual regulatory capital and surplus of such operations was $454.9 million as of December 31, 2014. Those other foreign insurance operations were each in compliance with the capital and solvency requirements of their respective countries as of the date of the most recent required capital adequacy calculation for each jurisdiction.

14. Income Taxes

The Mutual Holding Company files a consolidated federal income tax return that includes both its life and non-life insurance subsidiaries. In addition to income taxes currently payable, deferred income taxes are recorded for the differences between the income tax bases of assets and liabilities and the amounts at which they are reported in the consolidated balance sheet. Recorded amounts are adjusted to reflect changes in income tax rates and other income tax law provisions as they are enacted. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. A valuation allowance is recorded to the extent required to reduce the deferred income tax asset to an amount that management expects more likely than not will be realized. Deferred income taxes have not been provided on accumulated but undistributed earnings from operations of certain foreign subsidiaries, as these earnings are considered to be indefinitely reinvested in these subsidiaries.

The following table presents current and deferred income tax expense for the years ended December 31 (in thousands):

	2014	2013
Current federal income tax expense	**$ 9,070**	$ 5,802
Current foreign income tax expense (benefit)	**9,915**	(1,195)
Deferred federal income tax expense	**512**	4,855
Deferred foreign income tax (benefit) expense	**(6,192)**	2,815
Total provision for income taxes	**$ 13,305**	$ 12,277

Presented below are the differences between the U.S. statutory federal income tax rate and the effective U.S. statutory federal income tax rate for the years ended December 31 (dollars in thousands):

	2014		2013	
Federal statutory income tax	**$ 24,445**	**35.00%**	$ 19,643	35.00%
Differences:				
Foreign tax credits	**(5,653)**	**(8.09)**	(3,291)	(5.86)
Permanently reinvested earnings of foreign affiliates	**(3,805)**	**(5.45)**	(5,539)	(9.87)
True-up of prior year estimates	**(941)**	**(1.35)**	107	0.19
Noncontrolling interest in hotel partnership	**—**	**—**	1,904	3.39
Tax-exempt income	**(1,392)**	**(1.99)**	(1,099)	(1.96)
Other permanent differences	**651**	**0.93**	552	0.98
Effective income tax	**$ 13,305**	**19.05%**	$ 12,277	21.87%

Presented below are tax effects of temporary differences that result in deferred income tax assets and liabilities as of December 31 (in thousands):

	2014	2013
Deferred income tax assets		
Employee retirement benefits	**$ 18,840**	$ 16,750
Future policy benefits	**23,085**	40,185
Unrealized losses on investments	**17,124**	3,057
Deferred gains	**719**	923
Accrued compensation	**6,065**	3,267
Deferred compensation	**3,272**	3,076
Organizational costs	**1,696**	2,713
Deferred gain on hedge	**32**	1,173
Net operating loss carryforwards	**822**	3,111
Other	**20,486**	10,695
Gross deferred income tax assets	**92,141**	84,950
Deferred income tax liabilities		
Unrealized gains on investments	**51,687**	57,675
Deferred policy acquisition costs	**15,294**	15,425
Unearned revenue liabilities	**—**	3,096
Unremitted earnings of foreign subsidiaries	**24,483**	24,235
Property and equipment	**3,243**	1,086
Reserve method change	**—**	266
Policyholder dividends	**378**	674
Other	**7,866**	7,066
Gross deferred income tax liabilities	**102,951**	109,523
Net deferred income tax liabilities	**$ (10,810)**	$ (24,573)

At December 31, 2014, U.S. federal deferred income taxes have not been provided on approximately $98.0 million of accumulated but undistributed earnings from operations of foreign subsidiaries. Such earnings are considered to be indefinitely reinvested in the business. A tax liability of approximately $34.3 million would be recognized if the Company no longer planned to indefinitely reinvest the earnings or if the Company planned to sell all or a portion of the Company's ownership interest.

There were no federal income tax refunds received during the years ended December 31, 2014 and 2013. Federal income taxes paid were $11.1 million and $11.6 million in 2014 and 2013, respectively. Foreign income taxes paid were $8.0 million and $6.8 million in 2014 and 2013, respectively. The Mutual Holding Company and/or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions.

The Company recognized approximately $1.4 million and $1.2 million of benefit related to uncertain tax positions in 2014 and 2013, respectively.

Income taxes payable related to uncertain tax positions as included in the consolidated balance sheet are as follows as of December 31 (in thousands):

	2014	2013
Additions for tax positions of prior years	**$ 129**	$ 155
Lapse due to expiration of statute of limitations	**(1,478)**	(1,318)
Net change	**(1,349)**	(1,163)
Balance, beginning of year	**6,615**	7,778
Balance, end of year	**$ 5,266**	$ 6,615

If recognized in future periods, all of the unrecognized tax benefits would affect the effective tax rate. Approximately $2.1 million of tax benefits will possibly be recognized within the next 12 months, due to the expiration of the statute of limitations.

The Company classifies all interest and penalties related to tax uncertainties as income tax expense. For the years ended December 31, 2014 and 2013, the expense for interest and penalties was $129,000 and $155,000, respectively. The Company has recorded $452,000 and $471,000 in liabilities for tax-related interest and penalties on its consolidated balance sheet as of December 31, 2014 and 2013, respectively.

Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years that produce net operating losses, capital losses, or tax credit carryforwards (tax attributes), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. At December 31, 2014, the Company had federal income tax returns for the 2010 through 2014 tax years still open and subject to adjustment upon examination by taxing authorities.

15. Employee Benefits

The Company utilizes several different employee benefit plans to effectively compensate and retain its employees. The Company has two separate defined benefit pension plans: a noncontributory qualified plan covering U.S. and Puerto Rico branch employees employed prior to January 1, 2004, and a nonqualified senior executive pension plan (SEPP). The hotel partnership in which the Company owns a 66.67% interest also had a noncontributory defined benefit plan covering its employees. The Company also provides certain health and life insurance benefits for retired employees who were hired prior to January 1, 2004, and reach retirement age while working for the Company. A December 31 measurement date is used for all of the subsidiaries' defined benefit pension and other postretirement benefit plans.

The Company sponsors separate defined contribution plans that qualify as retirement plans under Internal Revenue Code Section 401(k). One 401(k) plan covers U.S. employees; a second 401(k) plan covers employees of the Company's affiliate in Puerto Rico; and a third 401(k) plan covers employees of the hotel. U.S. executives are also eligible to participate in a deferred compensation plan. In addition to these benefits, the Company also utilizes two performance-based compensation plans: an annual incentive compensation plan, and a long-term incentive compensation plan for its Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents.

In 2007, the Board of Directors of the Company approved a plan to curtail any additional accumulation of service costs for employees participating in the defined benefit plan and the SEPP. This curtailment was effective on October 26, 2007. The Company continues to recognize net periodic pension costs related to benefits accumulated in the plan prior to the curtailment.

The projected benefit obligation (PBO) is defined as the actuarially calculated present value of vested and nonvested pension benefits accrued based on future salary levels. The accumulated pension benefit obligation (ABO) is the actuarial present value of vested and nonvested pension benefits accrued based on current salary levels. Both the PBO and ABO are determined using a variety of actuarial assumptions, from which actual results may vary, as described below. Due to the curtailment of the plans, the PBO is equivalent to the ABO.

The expected postretirement plan benefit obligations (EPBO) represent the actuarial present value of all other postretirement benefits expected to be paid after retirement to employees and their dependents. The EPBO is not recorded in the consolidated financial statements but is used in measuring the periodic expense. The last year the Company allowed new participants into the postretirement plan was 2004. The accumulated postretirement plan benefit obligations (APBO), representing the actuarial present value of future other postretirement benefits attributed to employee services rendered through 2004, are the valuation basis upon which liabilities are established. Both the EPBO and APBO are determined using a variety of actuarial assumptions, from which actual results will vary.

The Company recognizes the funded status of the PBO for pension plans and of the APBO for other postretirement plans (collectively, the Benefit Obligations) for each of its plans on the consolidated balance sheet. The actuarial gains or losses, prior service costs and credits, and the remaining net transition asset or obligation that had not yet been included in net periodic benefit cost are charged, net of income tax, to accumulated other comprehensive income.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost or credit arising from the increase or decrease in prior years' benefit costs due to plan amendments or initiation of new plans. These costs related to the postretirement benefits are recognized in net periodic benefit cost as a level amortization over the average expected future service years for active employees whose benefits are affected by such plan amendments.

Due to the frozen status of the pension plans, these costs related to pension plans are amortized into net periodic benefit cost based on the remaining life expectancy of those participants instead of their remaining expected future service period. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost for a particular period, thus resulting in gains or losses. To the extent such aggregate gains or losses exceed 10% of the greater of the benefit obligations or the market-related asset value of the plans, they are amortized into net periodic benefit cost over the average remaining life expectancy of members expected to receive benefits under the plans.

The obligations and expenses associated with these plans require an extensive use of assumptions, such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, and health care cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates, and mortality. Management determines these assumptions based upon a variety of factors, such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

Incentive Compensation Plans

The Company has an annual performance-based incentive plan for its executive-level employees. Awards under the plan are contingent upon the attainment of certain predetermined company goals and are subject to the approval of the Board of Directors of the Company. The Company also has a performance-based long-term incentive plan for its Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents. Awards under this plan are contingent upon the attainment of certain predetermined company goals over a three-year period and are subject to the approval of the Board of Directors. Compensation expense for the annual performance-based incentive plan was $4,613,000 and $3,848,000 in 2014 and 2013, respectively. Compensation expense for the performance-based long-term plan was $4,685,000 and $3,971,000 in 2014 and 2013, respectively.

Defined Benefit Plans

The Company sponsors a noncontributory qualified defined benefit plan covering U.S. employees and Puerto Rico branch employees employed prior to January 1, 2004. The benefits are based on years of service and the employee's highest 36 consecutive months of pay within a ten-year period.

Experience is periodically reviewed to compare the Company's assumptions to the actual and expected future experience of the pension and other postretirement plans. During 2014, following the release of updated mortality tables by the Society of Actuaries, the Company undertook such a review and determined that the Company's current assumptions are appropriate.

Additionally, the Company sponsors a nonqualified SEPP, which provides benefits to employees who are participants in the defined benefit plan and whose salaries exceed the qualified Internal Revenue Service limits. There are no assets separately designated for the SEPP.

As noted earlier, the Company had previously curtailed any additional accumulation of service costs for employees participating in the above defined benefit plans.

Defined Contribution Plans

The Company sponsors a contributory tax-deferred defined contribution plan in which the Company makes a discretionary match to employee contributions. Prior to January 1, 2008, for employees hired prior to January 1, 2004, the Company matched 50% of the employees' first 3% of salary deferrals, and these employees were immediately 100% vested in matching contributions. Effective January 1, 2008, the Company changed the amount that the Company will match for employees hired prior to January 1, 2004, to 100% of the first 6% of salary deferrals, with the employee being immediately vested in 100% of the matching contributions. For employees hired on January 1, 2004, or later, the Company will match 100% of the first 6% of salary deferrals. These employees are subject to a five-year vesting schedule. The Company's contributions to the plan, net of forfeited nonvested amounts, were approximately $1,702,000 and $1,452,000 in 2014 and 2013, respectively.

Certain foreign subsidiaries of the Company also sponsor defined contribution plans. Total contributions to these plans were approximately $24,000 and $374,000 in 2014 and 2013, respectively.

Other Postretirement Benefits

The Company provides certain health and life insurance benefits for retired employees. U.S. employees employed before January 1, 2004, may become eligible for these benefits if they reach retirement age and meet service requirements while working for the Company. The Company has no assets separately designated for this plan.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Prescription Act) includes changes to Medicare Part D that could affect the measurement of the APBO and net periodic postretirement cost for the plan. The Company has concluded that the plan's prescription drug benefit is expected to be actuarially equivalent to the Medicare Part D prescription drug benefit.

The Company's gross benefits payments for 2014 and 2013 were $1,904,000 and $1,733,000, respectively, including the prescription drug benefit. The Company's subsidy (net of collection costs) related to the Medicare Prescription Act was $50,000 for 2014 and 2013, and the Company's estimates of future subsidies are $40,000 and $43,000 in 2015 and 2016, respectively. The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, eliminated the tax-free aspect of the subsidy beginning in 2013.

Deferred Compensation Plans

Prior to January 1, 2008, the Company had two deferred compensation plans available to its U.S. executives. The first program involved the option to defer annual salary increases. The second program allowed for a maximum of 12.5% of annual salary to be deferred. Interest was credited on these accounts. Both the plans and the interest on the plans were recorded in other liabilities on the consolidated balance sheet. Retirees and terminated executives remained in these original plans and continue to earn interest on the balance.

Effective January 1, 2008, the two plans were merged into a single plan for currently employed U.S. executives. Under the amended and restated plan, currently employed U.S. executives can defer up to a maximum of 50% of their base salary and 100% of their annual and long-term incentive compensation bonuses. The amended plan is funded by purchasing company-owned variable universal life policies issued by an unaffiliated insurer. The amount owed to the participants of the plan at 2014 was $9,168,000, offset by the policies' cash value of $6,687,000. An expense of $544,000 was recognized in 2014 as a result of funding the plan. The amount owed to the participants of the plan at 2013 was $8,613,000, offset by the policies' cash value of $6,672,000. An expense of $681,000 was recognized in 2013 as a result of funding the plan.

Hotel Partnership Employee Benefit Plan

The hotel had a thrift profit-sharing plan that qualified as a retirement plan under Internal Revenue Code Section 401(k). The plan covered qualified employees meeting certain minimum age and length-of-service requirements. The plan required the hotel to match 50% of the participating employee's contribution, up to a maximum of 4% of the employee's salary. No contributions were made to the plan during 2014. Hotel contributions to the plan for the year ended December 31, 2013 were $8,000.

Hotel Partnership Defined Benefit Plan

The hotel also had a defined benefit pension plan that covered substantially all employees who met certain minimum age and length-of-service requirements. The plan was noncontributory and provides monthly payments for life following retirement, normally at age 65. Benefits were determined by a formula based on years of service and the employee's compensation during the final years of employment. The hotel's funding policy was to contribute annually the minimum required by the Employee Retirement Income Security Act of 1974, plus additional amounts at the discretion of management.

As of December 31, 1998, the plan was amended such that no additional employees will be eligible to participate in the plan. Each participant's accrued benefit under the plan was frozen and was not increased, and no participant was credited with additional years of service.

As part of the sale of the hotel in 2013 (Note 16), a process to settle the hotel's pension plan was initiated. During 2014, the Company made lump-sum cash payments to certain plan participants in exchange for their rights to receive specified benefits. For the remaining participants, the Company transferred the liability to pay the current accrued benefit through the purchase of annuity contracts. Total expense recognized in net income during 2014 related to the settlement was $2.7 million. Due to the settlement, the plan was included in discontinued operations for 2014 and 2013.

The projected benefit obligation of the plan was $4,081,000 at December 31, 2013. The plan assets were $2,661,000 and the underfunded status was $(1,420,000) at December 31, 2013. The amount included in accumulated other comprehensive income not yet recognized as a component of net periodic pension cost at December 31, 2013 was $2,322,000. This amount was recognized in net income during 2014 at the time of the plan's settlement.

The hotel partnership recognized net periodic pension costs for the years ended December 31, 2013, related to benefits and assets accumulated in the plan prior to the freeze. Net periodic pension cost was $245,000 in 2013. No contributions were made in 2014 or 2013.

Incentive Plans

Effective October 1, 2008, Pan-American Life Group established the 2008 Omnibus Incentive Plan (Incentive Plan) as an incentive compensation plan to reward key members of management, directors, and consultants. The Incentive Plan permits the granting of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and other awards as defined in the plan agreement to selected participants. Since inception, there have been grants of nonqualified stock options under the Incentive Plan to select participants. Compensation cost will begin to be recorded over the service period commencing when the triggering event becomes probable of occurrence. As of December 31, 2014, and the date of issuance of these financial statements, no triggering events were considered probable of occurring by management. The following table provides a summary of activity as of December 31, 2014, and changes for the year then ended:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	6,741,750	$ 4.22	5.45	$ 18,350,000
Granted during the year	444,000	$ 8.80		
Exercised or converted	—	$ —		
Forfeited or exchanged during the year	(7,185,750)	$ 4.50		
Expired during the year	—	$ —		
Outstanding at December 31, 2014	—	$ —	—	$ —
Exercisable at December 31, 2014	—	$ —	—	$ —

There were no nonvested stock options as of December 31, 2014 or 2013. The weighted average exercise price for stock options granted during 2013 was $6.94.

During 2014, the Company established a conversion plan which established cash inventive awards to be granted as stand-alone awards or in exchange for stock options. Under the plan, a holder of a stock option could exchange the stock option for a performance appreciation unit (PAU). The value of each PAU is currently defined as being equal to the fair value of a share of Class A common stock of the Pan-American Life Group, as determined by a third party appraisal.

Each PAU is the contingent right of the holder to receive a cash payment equal to the value of the PAU on the vesting date, less the value on the grant date, if the difference is greater than zero. The PAUs will be vested and paid at a rate of one-third of each award during 2016, 2017, and 2018. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances. All outstanding stock options were converted to PAUs during 2014.

Since a PAU is settled in cash, the Company has classified the awards as a liability. The Company measures the compensation cost using the intrinsic method and recognizes the expense on a straight-line basis over the entire award. The liability and corresponding expense are adjusted accordingly until the award is settled. The Company recognized $6.5 million of expense during 2014 related to the PAUs. The following table provides a summary of activity as of December 31, 2014, and changes for the year then ended:

	PAUs
Outstanding at December 31, 2013	—
Granted during the year	7,355,750
Exercised or converted	—
Forfeited during the year	(16,750)
Paid during the year	—
Outstanding at December 31, 2014	7,339,000
Expected to vest at a future date at December 31, 2014	7,339,000

Obligations and Funded Status

A summary of pension obligations, assets, net periodic pension benefit costs, and significant weighted-average assumptions on a combined basis for the defined benefit plans (excluding the hotel plan) and the other postretirement benefit plans for the years ended December 31 is as follows (dollars in thousands):

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 134,430**	$ 144,731	**$ 28,939**	$ 30,966
Service cost	**—**	—	**228**	294
Interest cost	**6,730**	6,353	**1,256**	1,111
Actuarial (gain) loss	**17,343**	(9,361)	**(745)**	(1,699)
Benefits paid	**(7,260)**	(7,293)	**(1,904)**	(1,733)
Benefit obligation at end of year	**$ 151,243**	$ 134,430	**$ 27,774**	$ 28,939
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 119,693**	$ 103,090	**$ —**	$ —
Actual return on assets	**8,560**	17,785	**—**	—
Employer contributions	**4,194**	6,111	**1,904**	1,733
Benefits paid	**(7,260)**	(7,293)	**(1,904)**	(1,733)
Fair value of plan assets at end of year	**$ 125,187**	$ 119,693	**$ —**	$ —
Funded status of plan (underfunded)	**$ (26,056)**	$ (14,737)	**$ (27,774)**	$ (28,939)
Periodic benefit cost				
Service cost	**$ —**	$ —	**$ 228**	$ 294
Interest cost	**6,730**	6,353	**1,256**	1,111
Expected return on assets	**(8,905)**	(7,681)	**—**	—
Net amortization and deferral	**1,170**	1,997	**(486)**	(485)
Net periodic cost	**$ (1,005)**	$ 669	**$ 998**	$ 920
Weighted-average assumptions				
Discount rate – periodic cost	**5.15%**	4.50%	**4.50%**	3.70%
Discount rate – obligation	**4.15%**	5.15%	**3.60%**	4.50%
Expected return on plan assets	**7.75%**	7.75%	**N/A**	N/A
Expected increase in compensation	**N/A**	N/A	**3.50%**	3.50%

Amounts included in accumulated other comprehensive income not yet recognized as a component of net periodic pension cost as of December 31 are as follows (in thousands):

	2014	**2013**	**2014**	**2013**
Unrecognized net actuarial loss	**$ (56,747)**	$ (40,229)	**$ (60)**	$ (805)
Unrecognized prior service cost	**—**	—	**6,492**	7,521
Unrecognized transition obligation	**—**	—	**(3,261)**	(3,805)
Total recognized in accumulated other comprehensive income	**$ (56,747)**	$ (40,229)	**$ 3,171**	$ 2,911

Amounts included in accumulated other comprehensive income at December 31, 2014, that are expected to be amortized into net periodic postretirement costs during 2015 follow: $1,871,000 in pension benefits (from unrecognized net actuarial loss) and $486,000 in other benefits ($1,030,000 in unrecognized prior service cost net of $(544,000) in unrecognized transition obligation).

The assumptions used in determining the actuarial present value of the projected benefit obligations and net periodic benefit costs for the other postretirement benefits for the years ended December 31 are as follows:

	2014	**2013**
Health care cost trend for next year	**8.00%**	8.00%
Annual rate decrease	**0.75**	0.75
Ultimate health care cost trend rate	**5.00**	5.00
Year that the rate reaches ultimate rate	**2020**	2019

The effects of a one-percentage-point increase and a one-percentage-point decrease in the assumed health care cost trend rates, as of December 31, 2014, are as follows:

	1% Increase	**1% Decrease**
Total of service cost and interest cost components	$ 14,407	$ (15,561)
Accumulated postretirement benefit obligation	312,788	(314,426)

The Company's qualified defined benefit plan invests in a diversified mix of traditional asset classes. Assets comprise investments in equity and fixed-income mutual funds. The investments are made to maximize long-term returns while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is evaluated by understanding the pension plan's liability characteristics. Equity investments are used primarily to increase overall plan total returns and to fund longer-duration liabilities. Fixed-income investments provide diversification of assets and current cash payments to retirees.

Periodically, asset allocations and investment performance are formally reviewed as required by the Company's Pension Administration Committee. The expected long-term rate of return is estimated based on many factors, including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

Plan Assets

The defined benefit pension plan asset allocation as of the measurement date (December 31) and the target asset allocation, presented as a percentage of total plan assets, were as follows at December 31:

	Target Allocation	**2014**	**2013**
Fixed maturity securities	30%–60%	**45%**	43%
Equity securities	40%–70%	**55**	57
Total		**100%**	100%

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy are described in Note 20.

The estimated fair values of financial instruments classified as Level 3 assets have been determined by using available market information and by applying valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Estimated fair values may not be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The methods and assumptions discussed below were used in calculating the estimated fair values of the instruments.

Mutual funds – Mutual funds are valued at the net asset value of shares held by the plan at year end based on quoted market prices.

Pooled separate account – Fair value represents the net asset value of the underlying assets. Pooled separate accounts are classified as Level 3 assets if they are subject to withdrawal limitations.

Corporate debentures – Corporate debentures are classified within Level 2 of the fair value hierarchy and are valued using evaluated bids based on internal models used by an independent pricing service.

Preferred stocks – Preferred stocks, which are classified within Level 2 of the fair value hierarchy and are valued based on last trade or bid prices based on an over-the-counter exchange.

Guaranteed interest contracts – For defined benefit investment contracts, fair value represents the amount that plan sponsors would receive if they withdrew retirement funds at the reporting date, which is the book value adjusted to recognize the rates of interest available in the marketplace for similar investments.

The following fair value hierarchy table presents information about the defined benefit pension assets measured at fair value on a recurring basis as of December 31 (in thousands):

	2014	2013
Level 1		
Mutual funds:		
Equity securities	**$ 20,034**	$ 17,944
Fixed maturity securities	**41,730**	40,567
Total Level 1	**61,764**	58,511
Level 2		
Separate accounts:		
Equity securities	**48,983**	48,074
Fixed maturity securities	**12,465**	11,138
Preferred stocks	**1,975**	1,970
Total Level 2	**63,423**	61,182
Total	**$ 125,187**	$ 119,693

It is the Company's general practice to make contributions to the plan at least quarterly in an amount that will satisfy minimum requirements under applicable law. The Company may, at its discretion, make additional contributions to the extent they are deductible for federal income tax purposes. The Company currently expects to make discretionary contributions of $3.3 million in 2015.

As of December 31, 2014, the estimated benefits expected to be paid in each of the next five years and the aggregate of the four years following are in the table below (in thousands). These estimates are based on the same assumptions used to measure the Company's benefit obligations at the end of 2014 and include benefits attributable to estimated future employee service.

	Pension Benefits	Other Benefits	Medicare Part D Subsidies
2015	$ 7,730	$ 1,970	$ 40
2016	7,950	2,000	43
2017	8,080	1,930	44
2018	8,350	1,920	44
2019	8,520	1,880	43
2020–2024	46,140	8,590	206

16. Discontinued Operations

On January 23, 2013, the hotel partnership in which the Company owns a two-thirds interest sold the hotel it operated to a third party for approximately $53.8 million. The majority of the proceeds from the sale of the hotel were distributed to the partners. The Company, in conjunction with the sale, sold the land on which the hotel was built to the same third party for $4.7 million. The Company recognized a pre-tax gain of approximately $32.4 million on the sale of the hotel and the land.

The property and equipment, and other assets related to the hotel partnership, were presented as assets related to discontinued operations. The hotel partnership's line of credit and other liabilities related to the hotel partnership were presented as liabilities related to discontinued operations, and the income related to the hotel's operations is presented as income from discontinued operations. Due to the settlement of the hotel's pension plan, the liabilities related to the plan were included as discontinued operations for 2013.

There were no assets or liabilities related to discontinued operations at December 31, 2014. Liabilities related to discontinued operations at December 31, 2013 were comprised of $1.5 million of other liabilities.

Income from discontinued operations comprises the following for the years ended December 31 (in thousands):

	2014	2013
Hotel revenues	$ —	$ 1,679
Hotel expenses	(3,175)	(2,409)
Gain on disposal of hotel	—	32,402
	(3,175)	31,672
Income tax expense	—	7,390
(Loss) income from discontinued operations, net of tax	$ (3,175)	$ 24,282

The partnership that owned the hotel continues to provide administrative functions for the partners, unrelated to the hotel. Any such costs incurred by the partnership are included within continuing operations.

17. Comprehensive Income

Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes the unrealized investment gains or losses on securities available for sale, net of reclassification adjustments for realized investment gains or losses, adjustments to DPAC, and policyholder account balances. In addition, other comprehensive income includes the unrecognized pension and other benefit liabilities. Other comprehensive income also includes deferred income taxes and foreign currency translation gains and losses related to the Company's foreign operations on these items.

The pre-tax, tax, and after-tax effects of the components of other comprehensive income (loss) for the years ended December 31, 2014 and 2013, are as follows (in thousands):

	2014		
	Pre-Tax Amount	Tax Benefit	After-Tax Amount
Unrealized gains on investments:			
Unrealized gains on investments during the period	$ 36,533	$ 4,350	$ 40,883
Less: reclassification adjustment for gains included in net income	(9,648)	(3,377)	(13,025)
Net unrealized gains on investments	26,885	973	27,858
Net unrealized losses on derivatives	(6,439)	—	(6,439)
Defined benefit pension plans:			
Net (loss) gain arising during the period	(14,621)	4,626	(9,995)
Less: amortization of prior service cost included in net periodic pension cost	684	239	923
Defined benefit pension plans, net	(13,937)	4,865	(9,072)
Foreign currency translation adjustment	(6,105)	—	(6,105)
Other comprehensive income	$ 404	$ 5,838	$ 6,242

	2013		
	Pre-Tax Amount	Tax Benefit	After-Tax Amount
Net unrealized (losses) gains on investments	$ (45,737)	$ 2,299	$ (43,438)
Net unrealized losses on derivatives	(266)	—	(266)
Defined benefit pension plans, net	22,675	4,440	27,115
Foreign currency translation adjustment	558	—	558
Other comprehensive (loss) income	$ (22,770)	$ 6,739	$ (16,031)

Balances of related after-tax components comprising accumulated other comprehensive income, net of noncontrolling interests, are as follows (in thousands):

	Net Unrealized Gains (Losses) on Investments	Net Unrealized Losses on Derivatives	Defined Benefit Pension Plans	Foreign Currency Translation Adjustment	Total
Balance at December 31, 2012	$ 93,952	$ —	$ (42,084)	$ (12,280)	$ 39,588
Current period other comprehensive (loss) income	(45,451)	(266)	27,115	558	(18,044)
Purchase of additional shares of subsidiary	4,188	—	—	563	4,751
Balance at December 31, 2013	52,689	(266)	(14,969)	(11,159)	26,295
Current period other comprehensive income (loss) before reclassifications	36,741	(6,439)	(9,756)	(6,105)	14,441
Amounts reclassified from accumulated other comprehensive income	(9,648)	—	684	—	(8,964)
Net current period other comprehensive income (loss)	27,093	(6,439)	(9,072)	(6,105)	5,477
Purchase of additional shares of subsidiary	814	—	—	(495)	319
Balance at December 31, 2014	$ 80,596	$ (6,705)	$ (24,041)	$ (17,759)	$ 32,091

18. Noncontrolling Interest

Noncontrolling interest represents the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The Company recognizes noncontrolling interests in the discontinued hotel partnership (see Note 16) and its subsidiary in Trinidad and Tobago. The portion of net income attributable to noncontrolling interests for such subsidiaries is presented as net income attributable to noncontrolling interest on the consolidated statement of comprehensive income, and the portion of equity of such subsidiaries is presented as noncontrolling interest on the consolidated balance sheet.

During 2014 and 2013, the Company purchased a number of shares of its Trinidad and Tobago subsidiary from noncontrolling shareholders. The value of the noncontrolling interest was decreased by the proportional value of equity acquired by the Company at the date of purchase.

The balances of and changes in noncontrolling interest as of December 31, and for the years then ended, are as follows (in thousands):

	2014	2013
Hotel partnership:		
Noncontrolling interest at beginning of year	**$ 762**	$ 7,073
Net income attributable to noncontrolling interest	**(778)**	10,817
Other comprehensive income (loss) attributable to noncontrolling interest	**774**	22
Distribution to noncontrolling interest	**—**	(17,150)
Noncontrolling interest at end of year	**758**	762
Trinidad and Tobago subsidiary:		
Noncontrolling interest at beginning of year	**1,080**	7,357
Purchase of noncontrolling interest shares	**(663)**	(8,086)
Net income attributable to noncontrolling interest	**78**	(182)
Other comprehensive income (loss) attributable to noncontrolling interest	**(9)**	1,991
Noncontrolling interest at end of year	**486**	1,080
Total noncontrolling interest at end of year	**$ 1,244**	$ 1,842

19. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data, correlation, or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The estimated fair values of financial instruments have been determined by using available market information and by applying appropriate valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Estimated fair values may not be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The methods and assumptions discussed below were used in calculating the estimated fair values of the financial instruments.

Recurring Fair Value Measurements

The following fair value hierarchy tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31 (in thousands):

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Fixed maturity securities, available for sale:				
U.S. Treasury securities and obligations of U.S. government	$ 5,828	$ 117	$ —	$ 5,945
Obligations of foreign governments	—	526,031	—	526,031
Obligations of U.S. states and municipalities	—	69,246	—	69,246
Corporate obligations	—	1,371,343	93,025	1,464,368
Residential mortgage-backed securities	—	145,386	—	145,386
Commercial mortgage-backed securities	—	56,416	13,498	69,914
Other asset-backed securities	—	26,789	10,961	37,750
Redeemable preferred stocks	—	6,284	5,219	11,503
Total fixed maturity securities, available for sale	5,828	2,201,612	122,703	2,330,143
Equity securities, available for sale:				
Domestic financial services	46,777	8,652	—	55,429
Domestic industrial	43,233	—	—	43,233
Domestic utilities	29,703	—	—	29,703
International financial services	—	938	14	952
International industrial	544	600	—	1,144
International utilities	100	3	—	103
Total equity securities, available for sale	120,357	10,193	14	130,564
Other financial instruments:				
Short-term investments	—	38,664	—	38,664
Cash equivalents	12,879	62,761	—	75,640
Derivative assets	—	89	—	89
Total other invested assets	12,879	101,514	—	114,393
Total assets	$ 139,064	$ 2,313,319	$ 122,717	$ 2,575,100
Liabilities				
Derivative liabilities	$ —	$ 6,705	$ —	$ 6,705

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Fixed maturity securities, available for sale:				
U.S. Treasury securities and obligations of U.S. government	$ 5,671	$ 2,337	$ —	$ 8,008
Obligations of foreign governments	—	525,959	—	525,959
Obligations of U.S. states and municipalities	—	52,768	—	52,768
Corporate obligations	—	1,375,436	94,361	1,469,797
Residential mortgage-backed securities	—	136,183	—	136,183
Commercial mortgage-backed securities	—	17,300	7,773	25,073
Other asset-backed securities	—	23,125	13,023	36,148
Redeemable preferred stocks	—	3,243	5,275	8,518
Total fixed maturity securities, available for sale	5,671	2,136,351	120,432	2,262,454
Equity securities, available for sale:				
Domestic financial services	20,359	1,600	—	21,959
Domestic utilities	12,254	—	—	12,254
International financial services	—	934	1	935
International industrial	637	101	—	738
International utilities	130	2	—	132
Total equity securities, available for sale	33,380	2,637	1	36,018
Other financial instruments:				
Short-term investments	—	31,805	—	31,805
Cash equivalents	35,678	27,759	—	63,437
Derivative assets	—	6,943	—	6,943
Total other invested assets	35,678	66,507	—	102,185
Total assets	$ 74,729	$ 2,205,495	$ 120,433	$ 2,400,657
Liabilities				
Derivative liabilities	$ —	$ 266	$ —	$ 266

There were no transfers between hierarchy levels during 2014 or 2013.

The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31 are summarized in the table below, to which certain revisions have been made to the prior year balances to conform to the current year presentation (in thousands):

	Corporate Obligations		Commercial Mortgage-Backed Securities		Other Asset-Backed Securities	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Balance at beginning of year	**$ 94,361**	$ 65,241	**$ 7,773**	$ 8,531	**$ 13,023**	$ 14,560
Purchases	**8,000**	37,142	**5,400**	503	**2,517**	—
Disposals	**(10,984)**	(5,236)	**(844)**	(915)	**(5,261)**	(361)
Accretion of premium	**(2)**	(4)	**114**	141	**(18)**	(7)
Realized gains	**74**	79	**—**	—	**—**	—
Unrealized gains (losses)	**1,576**	(2,861)	**1,055**	(487)	**700**	(1,169)
Balance at end of year	**$ 93,025**	$ 94,361	**$ 13,498**	$ 7,773	**$ 10,961**	$ 13,023

	Redeemable Preferred Stocks		International Financial Services Equity Securities	
	2014	**2013**	**2014**	**2013**
Balance at beginning of year	**$ 5,275**	$5,052	**$ 1**	$ 23
Purchases	**—**	—	**—**	—
Disposals	**—**	—	**—**	—
Accretion of premium	**—**	—	**—**	—
Realized losses	**—**	—	**(148)**	—
Unrealized (losses) gains	**(56)**	223	**161**	(22)
Balance at end of year	**$ 5,219**	$5,275	**$ 14**	$ 1

Realized gains or losses are included within net realized investment gains (losses) in the Company's consolidated statement of comprehensive income. Unrealized gains or losses are included within unrealized gains on investments in the Company's consolidated statement of comprehensive income.

The following table presents quantitative information about the significant unobservable inputs of fair value measurements categorized as Level 3 as of December 31, 2014 (fair value in thousands):

	Fair Value as of December 31, 2014	Valuation Technique(s)	Significant Unobservable Input	Range	Weighted Average
Corporate obligations	$ 93,025	External pricing sources	Quoted prices[1]	$104 - $116	$110
		Broker quotations	Quoted prices[1]	$88 - $117	$103
Commercial mortgage-backed securities	13,498	Broker quotations	Quoted prices[1]	$100 - $105	$102
Other asset-backed securities	10,961	Broker quotations	Quoted prices[1]	$80 - $119	$109
Redeemable preferred stocks	5,219	External pricing sources	Quoted prices	$26	$26
International financial services equity securities	14	External pricing sources	Quoted prices	$0.24 - $5	$3

[1] For this unobservable input, value is presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

The following table presents quantitative information about the significant unobservable inputs of fair value measurements categorized as Level 3 as of December 31, 2013 (fair value in thousands):

	Fair Value as of December 31, 2013	Valuation Technique(s)	Significant Unobservable Input	Range	Weighted Average
Corporate obligations	$ 94,361	External pricing sources	Quoted prices[1]	$99–$116	$106
		Broker quotations	Quoted prices[1]	$89–$108	$100
Commercial mortgage-backed securities	7,773	Broker quotations	Quoted prices[1]	$88–$91	$90
Other asset-backed securities	13,023	External pricing sources	Quoted prices[1]	$117	—
Redeemable preferred stocks	5,275	External pricing sources	Quoted prices	$26	—
International financial services equity securities	1	External pricing sources	Quoted prices	$0.24–$100	$86

[1] For this unobservable input, value is presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following table presents the fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value, as of December 31 (in thousands):

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	**$ 164,770**	**$ 164,770**	$ 164,033	$ 164,033
Policy loans	**131,015**	**131,015**	131,870	131,870
Joint venture and limited partnerships	**40,443**	**45,037**	34,292	39,038
Mortgage loans on real estate	**2,415**	**2,415**	3,195	3,195
Liabilities				
Notes payable	**50,093**	**50,093**	50,223	50,223

The carrying amounts for policy loans, as reported in the accompanying consolidated balance sheet, approximate their fair values. Fair values for mortgage loans were equivalent to the unpaid balances of the loans. Fair values for mortgage loans are capped due to the possibility of prepayment at par at any time. Fair values for joint ventures or limited partnerships are based on fair value calculations for the underlying securities provided by the manager of the limited partnerships or joint venture. Pricing for the underlying securities involves unobservable inputs and significant judgment or estimation.

All of the Company's notes payable had a carrying value that approximated their fair value. The Company's other liabilities are generally short-term in nature, and their carrying value approximates their fair value.

20. Other Commitments and Contingent Liabilities

Litigation — In the ordinary course of business, the Company is involved in litigation with respect to claims arising with regard to insurance coverage that are taken into account in establishing benefit reserves. In certain of these matters, large or indeterminate amounts are sought. In the opinion of company management, any ultimate liability that could result from such normal and routine litigation would not have a material effect on the Company's consolidated financial statements.

The Company is subject to various indemnification obligations issued in conjunction with certain transactions, primarily assumption reinsurance agreements, stock purchase agreements, mortgage servicing agreements, construction and lease guarantees, and borrowing agreements whose terms range in duration and often are not explicitly defined. Generally, a maximum obligation is not explicitly stated; therefore, the overall maximum amount of the obligation under the indemnifications cannot be reasonably estimated. While the Company is unable to estimate with certainty the ultimate legal and financial liability with respect to these indemnifications, management believes the likelihood is remote that material payments would be required under such indemnifications, and therefore such indemnifications would not result in a material adverse effect on the Company's consolidated financial statements.

21. Supplementary Data on Cash Flows

A reconciliation of net income to net cash provided by operating activities as presented in the consolidated statement of cash flows is as follows for the years ended December 31 (in thousands):

	2014	2013
Net income	**$ 53,363**	$ 68,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment (gains) losses	**(7,661)**	226
Net accretion of investment discount	**1,060**	2,505
Amortization of hedge gain on surplus note	**(130)**	(138)
Amortization of intangible assets	**1,966**	2,065
Depreciation of property, equipment, and investments in real estate	**5,174**	2,527
Impairment and disposal of intangible assets	**2,257**	—
Loss on disposal of property and equipment	**432**	—
Deferred income taxes	**(12,790)**	(4,856)
Deferred policy acquisitions costs and value of business acquired	**(9,360)**	(11,424)
Accrued investment income	**(662)**	(10,179)
Amounts recoverable from reinsurers	**(6,110)**	(959)
Premiums and fees receivable	**(1,722)**	(1,853)
Federal income taxes recoverable and payable	**(370)**	(4,096)
Other assets	**6,130**	(7,738)
Future policy benefits and policy and contract claims	**38,343**	10,093
Other liabilities	**909**	(1,561)
Discontinued operations	**(1,521)**	(28,997)
Net cash provided by operating activities	**$ 69,308**	$ 13,743

Supplementary Information

Pan-American Life Mutual Holding Company

Consolidating Balance Sheet

December 31, 2014

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
		(In Thousands)		
Assets				
Fixed maturity securities, available for sale at fair value	$ —	$ 2,330,143	$ —	$ 2,330,143
Equity securities, available for sale at fair value	—	130,564	—	130,564
Investment in subsidiary	668,544	—	(668,544)	—
Policy loans	—	131,015	—	131,015
Joint ventures and limited partnerships	—	40,443	—	40,443
Investments in real estate	—	11,038	—	11,038
Mortgage loans on real estate	—	2,415	—	2,415
Short-term investments	—	38,664	—	38,664
Total investments	668,544	2,684,282	(668,544)	2,684,282
Cash and cash equivalents	238	164,532	—	164,770
Accrued investment income	—	30,698	—	30,698
Amounts recoverable from reinsurers	—	92,377	—	92,377
Premiums and fees receivable	—	28,105	—	28,105
Federal and foreign income taxes recoverable	—	9,150	—	9,150
Deferred policy acquisition costs	—	142,261	—	142,261
Value of business acquired	—	7,916	—	7,916
Property and equipment	—	48,662	—	48,662
Goodwill and other intangible assets	—	6,888	—	6,888
Other assets of continuing operations	1	46,327	—	46,328
Total assets	$ 668,783	$ 3,261,198	$ (668,544)	$ 3,261,437
Liabilities and equity				
Policyholder account balances and other policyholder funds	$ —	$ 1,522,076	$ —	$ 1,522,076
Future policy benefits	—	709,599	—	709,599
Policy and contract claims	—	135,757	—	135,757
Notes payable	—	50,093	—	50,093
Deferred income taxes	—	10,810	—	10,810
Accrued employee benefits	—	60,287	—	60,287
Federal and foreign income taxes payable	—	12,335	—	12,335
Other liabilities of continuing operations	1	90,453	—	90,454
Total liabilities	1	2,591,410	—	2,591,411
Common stock	—	500	(500)	—
Retained earnings	636,691	635,953	(635,953)	636,691
Accumulated other comprehensive income	32,091	32,091	(32,091)	32,091
Total equity attributable to Pan-American Life Mutual Holding Company	668,782	668,544	(668,544)	668,782
Noncontrolling interest	—	1,244	—	1,244
Total equity	668,782	669,788	(668,544)	670,026
Total liabilities and equity	$ 668,783	$ 3,261,198	$ (668,544)	$ 3,261,437

Pan-American Life Mutual Holding Company

Consolidating Balance Sheet

December 31, 2013

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
	(In Thousands)			
Assets				
Fixed maturity securities, available for sale at fair value	$ —	$ 2,262,454	$ —	$ 2,262,454
Equity securities, available for sale at fair value	—	36,018	—	36,018
Investment in subsidiary	608,713	—	(608,713)	—
Policy loans	—	131,870	—	131,870
Joint ventures and limited partnerships	—	34,292	—	34,292
Investments in real estate	—	11,447	—	11,447
Mortgage loans on real estate	—	3,195	—	3,195
Short-term investments	—	31,805	—	31,805
Total investments	608,713	2,511,081	(608,713)	2,511,081
Cash and cash equivalents	239	163,794	—	164,033
Accrued investment income	—	30,940	—	30,940
Amounts recoverable from reinsurers	—	86,673	—	86,673
Premiums and fees receivable	—	26,383	—	26,383
Federal and foreign income taxes recoverable	—	9,325	—	9,325
Deferred policy acquisition costs	—	136,036	—	136,036
Value of business acquired	—	8,764	—	8,764
Property and equipment	—	45,455	—	45,455
Goodwill and other intangible assets	—	10,111	—	10,111
Other assets of continuing operations	—	59,312	—	59,312
Total assets	$ 608,952	$ 3,087,874	$ (608,713)	$ 3,088,113
Liabilities and equity				
Policyholder account balances and other policyholder funds	$ —	$ 1,440,704	$ —	$ 1,440,704
Future policy benefits	—	702,278	—	702,278
Policy and contract claims	—	110,731	—	110,731
Notes payable	—	50,223	—	50,223
Deferred income taxes	(1)	24,574	—	24,573
Accrued employee benefits	—	43,676	—	43,676
Federal and foreign income taxes payable	(3)	12,883	—	12,880
Other liabilities of continuing operations	1	90,729	—	90,730
Liabilities related to discontinued operations	—	1,521	—	1,521
Total liabilities	(3)	2,477,319	—	2,477,316
Common stock	—	500	(500)	—
Retained earnings	582,660	581,918	(581,918)	582,660
Accumulated other comprehensive income	26,295	26,295	(26,295)	26,295
Total equity attributable to Pan-American Life Mutual Holding Company	608,955	608,713	(608,713)	608,955
Noncontrolling interest	—	1,842	—	1,842
Total equity	608,955	610,555	(608,713)	610,797
Total liabilities and equity	$ 608,952	$ 3,087,874	$ (608,713)	$ 3,088,113

Pan-American Life Mutual Holding Company

Consolidating Statement of Comprehensive Income

Year Ended December 31, 2014

	Pan–American Life Mutual Holding Company (Unconsolidated)	Pan–American Life Insurance Group (Consolidated)	Consolidation Entries	Pan–American Life Mutual Holding Company (Consolidated)
		(In Thousands)		
Premiums earned	$ —	$ 445,300	$ —	$ 445,300
Contract charges	—	107,163	—	107,163
Net investment income	—	138,231	—	138,231
Net realized investment losses	—	7,661	—	7,661
Equity in earnings of subsidiary	54,067	—	(54,067)	—
Other insurance operating revenues	—	12,332	—	12,332
Total revenues	54,067	710,687	(54,067)	710,687
Policyholder benefits and claims	—	331,623	—	331,623
Interest credited to policyholder account balances	—	58,736	—	58,736
Amortization of deferred policy acquisition costs and VOBA	—	17,428	—	17,428
Underwriting and other insurance operating expenses	4	229,179	—	229,183
Interest expense	—	3,874	—	3,874
Total benefits and expenses	4	640,840	—	640,844
Income before income taxes	54,063	69,847	(54,067)	69,843
Provision for income taxes	—	13,305	—	13,305
Income from continuing operations	54,063	56,542	(54,067)	56,538
Loss from discontinued operations	—	(3,175)	—	(3,175)
Net income	54,063	53,367	(54,067)	53,363
Net income attributable to noncontrolling interest	—	(700)	—	(700)
Net income attributable to Pan–American Life Mutual Holding Company	$ 54,063	$ 54,067	$ (54,067)	$ 54,063
Other comprehensive income (loss):				
Equity in other comprehensive income of subsidiary	$ 5,477	$ —	$ (5,477)	$
Unrealized gains on investments	—	27,858	—	27,858
Unrealized losses on derivatives	—	(6,439)	—	(6,439)
Change in benefit plan liabilities	—	(9,072)	—	(9,072)
Foreign currency translation adjustments	—	(6,105)	—	(6,105)
Other comprehensive income (loss)	5,477	6,242	(5,477)	6,242
Other comprehensive income (loss) attributable to noncontrolling interest	—	765	—	765
Other comprehensive income (loss) attributable to Pan–American Life Mutual Holding Company	$ 5,477	$ 5,477	$ (5,477)	$ 5,477
Comprehensive income	$ 59,540	$ 59,609	$ (59,544)	$ 59,605
Comprehensive income attributable to noncontrolling interest	—	65	—	65
Comprehensive income attributable to Pan–American Life Mutual Holding Company	$ 59,540	$ 59,544	$ (59,544)	$ 59,540

Pan-American Life Mutual Holding Company

Consolidating Statement of Comprehensive Income

Year Ended December 31, 2013

	Pan–American Life Mutual Holding Company (Unconsolidated)	Pan–American Life Insurance Group (Consolidated)	Consolidation Entries	Pan–American Life Mutual Holding Company (Consolidated)
	(In Thousands)			
Premiums earned	$ —	$ 411,326	$	$ 411,326
Contract charges	—	100,486	—	100,486
Net investment income	—	133,365	—	133,365
Net realized investment losses	—	(226)	—	(226)
Equity in earnings of subsidiary	57,495	—	(57,495)	—
Other insurance operating revenues	—	8,286	—	8,286
Total revenues	57,495	653,237	(57,495)	653,237
Policyholder benefits and claims	—	313,430	—	313,430
Interest credited to policyholder account balances	—	56,975	—	56,975
Amortization of deferred policy acquisition costs and VOBA	—	14,652	—	14,652
Underwriting and other insurance operating expenses	4	208,083	—	208,087
Interest expense	—	3,970	—	3,970
Total benefits and expenses	4	597,110	—	597,114
Income before income taxes	57,491	56,127	(57,495)	56,123
Provision for income taxes	(2)	12,279	—	12,277
Income from continuing operations	57,493	43,848	(57,495)	43,846
Income from discontinued operations	—	24,282	—	24,282
Net income	57,493	68,130	(57,495)	68,128
Net income attributable to noncontrolling interest	—	10,635	—	10,635
Net income attributable to Pan–American Life Mutual Holding Company	$ 57,493	$ 57,495	$ (57,495)	$ 57,493
Other comprehensive income (loss):				
Equity in other comprehensive income of subsidiary	$ (18,044)	$ —	$ 18,044	$ —
Unrealized losses on investments	—	(43,438)	—	(43,438)
Unrealized losses on derivatives	—	(266)	—	(266)
Change in benefit plan liabilities	—	27,115	—	27,115
Foreign currency translation adjustments	—	558	—	558
Other comprehensive loss	(18,044)	(16,031)	18,044	(16,031)
Other comprehensive income attributable to noncontrolling interest	—	2,013	—	2,013
Other comprehensive loss attributable to Pan–American Life Mutual Holding Company	$ (18,044)	$ (18,044)	$ 18,044	$ (18,044)
Comprehensive income	$ 39,449	$ 52,099	$ (39,451)	$ 52,097
Comprehensive income attributable to noncontrolling interest	—	12,648	—	12,648
Comprehensive income attributable to Pan–American Life Mutual Holding Company	$ 39,449	$ 39,451	$ (39,451)	$ 39,449

Consolidated Financial Statements and Supplementary Information

Pan-American Life Mutual Holding Company
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Pan-American Life Mutual Holding Company

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2013 and 2012

Contents

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Building a better working world

Report of Independent Auditors

The Board of Directors
Pan-American Life Mutual Holding Company

We have audited the accompanying consolidated financial statements of Pan-American Life Mutual Holding Company, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pan-American Life Mutual Holding Company at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is 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 audits of the 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.

Ernst & Young LLP

May 30, 2014

Pan-American Life Mutual Holding Company

Consolidated Balance Sheet

	December 31	
	2013	**2012**
	(In Thousands)	
Assets		
Fixed maturity securities, available for sale at fair value (amortized cost: $2,119,131 and $2,028,825 in 2013 and 2012, respectively)	**$ 2,259,454**	$ 2,243,835
Equity securities, available for sale at fair value (cost: $36,354 and $32,340 in 2013 and 2012, respectively)	**36,018**	32,451
Policy loans	**131,870**	133,165
Joint ventures and limited partnerships	**34,292**	36,661
Investments in real estate	**15,940**	16,828
Mortgage loans on real estate	**6,195**	5,760
Short-term investments	**31,805**	–
Total investments	**2,515,574**	2,468,700
Cash and cash equivalents	**164,033**	198,175
Accrued investment income	**30,940**	31,102
Amounts recoverable from reinsurers	**85,550**	84,591
Premiums and fees receivable	**26,383**	28,049
Federal and foreign income taxes recoverable	**9,325**	3,159
Deferred policy acquisition costs	**137,159**	93,096
Value of business acquired	**8,764**	10,407
Property and equipment	**41,683**	36,474
Goodwill and other intangible assets	**10,111**	12,176
Other assets of continuing operations	**59,312**	44,680
Assets related to discontinued operations	**–**	27,482
Total assets	**$ 3,088,834**	$ 3,038,091
Liabilities and equity		
Policyholder account balances and other policyholder funds	**$ 1,421,767**	$ 1,359,861
Future policy benefits	**721,215**	727,616
Policy and contract claims	**110,731**	111,278
Notes payable	**50,223**	50,361
Deferred income taxes	**24,573**	29,429
Accrued employee benefits	**43,676**	72,607
Federal and foreign income taxes payable	**12,880**	10,810
Other liabilities of continuing operations	**91,451**	91,441
Liabilities related to discontinued operations	**1,521**	4,660
Total liabilities	**2,478,037**	2,458,063
Retained earnings	**582,660**	526,010
Accumulated other comprehensive income	**26,295**	39,588
Total equity attributable to Pan-American Life Mutual Holding Company	**608,955**	565,598
Noncontrolling interest	**1,842**	14,430
Total equity	**610,797**	580,028
Total liabilities and equity	**$ 3,088,834**	$ 3,038,091

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company

Consolidated Statement of Comprehensive Income

	Year Ended December 31 2013	2012
	(In Thousands)	
Premiums earned	**$ 411,326**	$ 346,254
Contract charges	**100,486**	89,070
Net investment income	**133,365**	116,194
Net realized investment (losses) gains	**(226)**	5,069
Other insurance operating revenues	**8,286**	4,777
Total revenues	**653,237**	561,364
Policyholder benefits and claims	**313,430**	285,917
Interest credited to policyholder account balances	**56,975**	48,543
Amortization of deferred policy acquisition costs and value of business acquired	**14,652**	12,866
Underwriting and other insurance operating expenses	**208,087**	177,796
Interest expense	**3,970**	3,958
Total benefits and expenses	**597,114**	529,080
Income from continuing operations before income taxes	**56,123**	32,284
Provision for income taxes	**12,277**	11,360
Income from continuing operations	**43,846**	20,924
Income from discontinued operations, net of income taxes of $7,390 and $964 in 2013 and 2012, respectively	**24,282**	3,073
Net income	**68,128**	23,997
Net income attributable to noncontrolling interest	**10,635**	79
Net income attributable to Pan-American Life Mutual Holding Company	**$ 57,493**	$ 23,918
Other comprehensive (loss) income:		
Unrealized (losses) gains on investments	**$ (43,438)**	$ 32,584
Unrealized losses on derivatives	**(266)**	–
Change in benefit plan liabilities	**27,115**	(11,768)
Foreign currency translation adjustments	**558**	(439)
Other comprehensive (loss) income	**(16,031)**	20,377
Other comprehensive income attributable to noncontrolling interest	**2,013**	2,555
Other comprehensive (loss) income attributable to Pan-American Life Mutual Holding Company	**$ (18,044)**	$ 17,822
Comprehensive income	**$ 52,097**	$ 44,374
Comprehensive income attributable to noncontrolling interest	**12,648**	2,634
Comprehensive income attributable to Pan-American Life Mutual Holding Company	**$ 39,449**	$ 41,740

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company

Consolidated Statement of Equity

	Year Ended December 31	
	2013	**2012**
	(In Thousands)	
Retained earnings at beginning of year	**$ 526,010**	$ 502,092
Net income attributable to Pan-American Life Mutual Holding Company	**57,493**	23,918
Purchase of additional shares of subsidiary	**(843)**	–
Retained earnings at end of year	**$ 582,660**	$ 526,010
Accumulated other comprehensive income at beginning of year	**$ 39,588**	$ 21,766
Other comprehensive (loss) income attributable to Pan-American Life Mutual Holding Company	**(18,044)**	17,822
Purchase of additional shares of subsidiary	**4,751**	–
Accumulated other comprehensive income at end of year	**$ 26,295**	$ 39,588
Noncontrolling interests at beginning of year	**$ 14,430**	$ 6,413
Fair value of noncontrolling interest in acquired business	**–**	5,383
Purchase of additional shares of subsidiary	**(8,086)**	–
Distribution to noncontrolling interests	**(17,150)**	–
Net income attributable to noncontrolling interest	**10,635**	79
Other comprehensive income attributable to noncontrolling interest	**2,013**	2,555
Noncontrolling interests at end of year	**$ 1,842**	$ 14,430

The accompanying notes are an integral part of these financial statements.

Pan-American Life Mutual Holding Company

Consolidated Statement of Cash Flows

	Year Ended December 31	
	2013	**2012**
	(In Thousands)	
Operating activities		
Premiums collected	**$ 412,992**	$ 340,016
Contract charges collected	**100,486**	89,070
Net investment income collected	**136,032**	118,992
Other insurance operating revenues collected	**597**	1,626
Policyholder benefits paid	**(318,542)**	(260,637)
Interest credited to policyholder account balances	**(56,975)**	(48,543)
Underwriting, acquisition, and other insurance expenses paid	**(236,297)**	(201,667)
Interest expense paid	**(4,108)**	(4,104)
Income taxes paid	**(18,930)**	(6,426)
Net cash provided by continuing operating activities	**15,255**	28,327
Net cash (used in) provided by discontinued operating activities	**(1,512)**	4,443
Net cash provided by operating activities	**13,743**	32,770
Investing activities		
Investment purchases	**(504,195)**	(494,654)
Proceeds from sales and maturities of investments	**380,170**	549,819
Purchase of acquired businesses	**–**	(75,314)
Cash acquired from purchase of businesses	**–**	84,677
Purchase of derivative instruments	**(12,115)**	–
Purchase of additional shares in subsidiary	**(4,179)**	–
Net change in policy loans	**(1,885)**	3,474
Purchases of mortgage loans	**(3,000)**	
Principal collections on mortgage loans	**2,508**	1,594
Purchases of property and equipment	**(6,406)**	(5,906)
Effect of exchange rate changes on cash	**1,281**	(547)
Net cash (used in) provided by continuing investing activities	**(147,821)**	63,143
Net cash provided by (used in) discontinued investing activities	**36,985**	(2,143)
Net cash (used in) provided by investing activities	**(110,836)**	61,000
Financing activities		
Policyholders' account deposits collected	**244,256**	164,228
Policyholders' account withdrawals paid	**(180,510)**	(150,203)
Proceeds from debt issuances	**–**	50,000
Payments to settle debt	**–**	(50,279)
Net cash provided by continuing financing activities	**63,746**	13,746
Net cash used in discontinued financing activities	**(795)**	(3,600)
Net cash provided by financing activities	**62,951**	10,146
Net change in cash and cash equivalents	**(34,142)**	103,916
Cash and cash equivalents, beginning of year	**198,175**	94,259
Cash and cash equivalents, end of year	**$ 164,033**	$ 198,175

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations and Basis of Presentation

Business

Pan-American Life Mutual Holding Company (Mutual Holding Company) is a Louisiana-domiciled mutual holding company that is controlled by its members, who are qualified policyholders of Pan-American Life Insurance Company (Pan-American Life). The Mutual Holding Company's primary insurance operations in the United States are conducted through two Louisiana-domiciled insurance companies: Pan-American Life and its wholly owned subsidiary Pan-American Assurance Company (Pan-American Assurance). Internationally, business is conducted through several foreign branches and affiliates located in Latin America, the Caribbean, the Netherlands Antilles, and Puerto Rico, as well as through INRECO International Reinsurance Company and Pan-American International Insurance Corporation (Pan-American International), both located in the Cayman Islands. In addition, the Mutual Holding Company owns a 66.67% interest in a limited partnership which owned and operated a hotel (the hotel partnership). The property and equipment related to the hotel was sold on January 23, 2013, and is presented as a discontinued operation (see Note 17). The Mutual Holding Company and its subsidiaries are collectively referred to as the Company.

Pan-American Life converted from a mutual insurer to a stock insurer through the formation of an intermediate holding company, Pan-American Life Insurance Group, Inc. (Pan-American Life Group). Effective January 1, 2007, Pan-American Life Group owns all of the issued and outstanding shares of Pan-American Life. In turn, the Mutual Holding Company owns all of the issued and outstanding shares of Pan-American Life Group.

Pan-American Life is authorized to sell life and accident and health products in 47 states, the District of Columbia, Puerto Rico, and the United States Virgin Islands. Pan-American Life and other subsidiaries are also authorized to sell certain insurance products in various foreign countries. In 2013 and 2012, approximately 57% and 65%, respectively, of the Company's insurance business, as measured by direct premiums and deposits, was conducted through Pan-American Life and Pan-American Assurance, including their Latin American branches. In 2013 and 2012, an additional 5% and 7%, respectively, of the Company's business was conducted with non-U.S. individuals through Pan-American International. For 2013 and 2012, the top geographic locations for direct premiums and deposits by the Company were Panama; Ecuador; Honduras; Guatemala; and, in the United States, Texas and California. No other geographic location represents more than 5% of the Company's life premiums, annuity considerations, or deposit-type collections in any of these periods covered.

1. Nature of Operations and Basis of Presentation (continued)

The Company distributes its products through a combination of independent producers, internal sales representatives, and managing general underwriters. Combined assets of Pan-American Life and Pan-American Assurance for 2013 and 2012 represent approximately 56% and 58% of the consolidated assets for the Company, respectively.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Mutual Holding Company and its subsidiaries. Significant accounting policies are presented throughout the notes, together with disclosures to which they pertain. All material intercompany accounts and transactions have been eliminated in consolidation. With the exception of the hotel partnership, which is presented as a discontinued operation, all entities in which the Company exercises control are fully consolidated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. These estimates are inherently subject to change, and actual results will differ from these estimates. Included among the reported amounts and disclosures that require extensive use of estimates are the fair value of certain invested assets, the deferral and amortization of policy acquisition costs, the accrual of future policy benefits and policy and contract claim liabilities, and the funded status of pension and postretirement plans.

Subsequent Events

The Company evaluated subsequent events through May 30, 2014, which is the date these consolidated financial statements were available to be issued. The Company is not aware of any significant events that required recognition or additional disclosure in these consolidated financial statements.

1. Nature of Operations and Basis of Presentation (continued)

Current Adoption of New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance which clarified that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (i.e., Level 1, 2, or 3) does not apply to nonpublic entities for items that are not measured at fair value in the balance sheet but for which fair value is disclosed. The guidance was effective upon its issuance and it did not have an effect on the consolidated financial statements and related disclosures.

In December 2011, the FASB issued Accounting Standards Update 2011-11 (ASU 2011-11), which provides guidance on disclosures about offsetting assets and liabilities. The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement.

In January 2013, the FASB clarified that ASU 2011-11 applies only to derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. The Company adopted the guidance effective January 1, 2013. The adoption did not have an effect on the consolidated financial statements and related disclosures.

In October 2010, the FASB issued guidance, effective for fiscal years beginning after December 15, 2011, which specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized. The Company adopted this guidance effective January 1, 2012, and applied it retrospectively. As a result of the accounting change, certain costs previously capitalized by the Company will no longer be deferred.

Future Adoption of New Accounting Pronouncements

In July 2013, the FASB issued guidance which provides that in certain circumstances an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The amendments are effective for fiscal years beginning after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

1. Nature of Operations and Basis of Presentation (continued)

In March 2013, the FASB issued guidance on releasing cumulative translation adjustments when a reporting entity ceases to have a controlling financial interest in a subsidiary. In addition, these amendments provide guidance on the release of cumulative translation adjustment in partial sales of equity-method investments and in step acquisitions. The guidance will be effective for the first annual period beginning after December 15, 2014. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In January 2013, the FASB issued guidance on reporting amounts reclassified out of accumulated other comprehensive income. The guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component, including a requirement to present, either on the face of the statement of comprehensive income or in the notes, significant amounts reclassified out of AOCI by the respective line items. The guidance will be effective for fiscal years beginning after December 15, 2013. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In July 2011, the FASB issued guidance that addresses questions about how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act. For reporting entities that are subject to the fee imposed on health insurers mandated by the Acts, the guidance specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable, with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The guidance will be effective for calendar years beginning after December 31, 2013. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

2. Acquisition

During 2012, the Company acquired certain businesses and assets and assumed certain liabilities of American Life Insurance Company (ALICO) from MetLife, Inc. (MetLife). The Company acquired 81% of ALICO's Trinidad and Tobago insurance company and 100% of both its Costa Rica insurance company and its Panama-based administrative services company, as well as its insurance operations in Panama, Barbados, Bermuda, the Cayman Islands, and the Leeward and Windward Islands of the Caribbean. With this acquisition, the Company grew its existing presence in Latin American markets and expanded into Caribbean markets, as well as expanded into new product lines within those markets.

Due to the various regulatory jurisdictions in which the Company acquired businesses and assets, the acquisitions were effected through a combination of stock purchases, reinsurance agreements, and portfolio transfers. For each of the acquired businesses, the date of acquisition was determined based on the date of regulatory approval and the terms of the purchase agreement. The Company acquired certain businesses on July 2, 2012; July 31, 2012; August 31, 2012; October 1, 2012; November 1, 2012; and December 31, 2012. Total consideration paid for all of the acquired businesses was \$55.4 million, net of amounts due from the seller of \$19.9 million at December 31, 2012. The consideration paid for acquired businesses includes a contingent receivable from MetLife in the amount of \$10.5 million, of which \$4.5 million has been collected as of December 31, 2013. The remaining \$6.0 million will be collected by the Company as MetLife effects the official closure of its branches in each jurisdiction affected by the acquisition.

2. Acquisition (continued)

The following table summarizes the consideration paid for the ALICO businesses, and the amounts of the assets and acquired liabilities assumed as of the acquisition dates, as well as the fair value at the acquisition date of the noncontrolling interest in the Trinidad and Tobago business (in thousands):

Consideration		
Cash	$	75,314
Receivable from seller		(9,398)
Contingent consideration arrangement		(10,520)
Fair value of consideration transferred	$	55,396
Recognized amounts of identifiable assets acquired		
Fixed maturity securities	$	552,218
Equity securities		2,127
Policy loans		41,287
Investments in real estate		8,960
Mortgage loans		675
Cash and cash equivalents		84,677
Accrued investment income		7,954
Amounts recoverable from reinsurers		948
Premiums and fees receivable		3,476
Value of business acquired		11,581
Property and equipment		24,546
Deferred income taxes		4,839
Federal income taxes receivable		1,450
Other intangible assets		345
Other assets		694
Total assets		745,777
Recognized amounts of identifiable liabilities assumed		
Policyholder account balances and other policyholder funds		293,069
Future policy benefits		344,265
Policy and contract claims		27,473
Other liabilities		23,303
Total liabilities		688,110
Noncontrolling interest		5,383
Total equity		5,383
Net identifiable assets acquired		52,284
Goodwill		3,112
	$	55,396

2. Acquisition (continued)

Identified Intangible Assets

In conjunction with the acquisition, the Company recorded an intangible asset representing the value of business acquired (VOBA). See Note 7 for further discussion. The Company also recognized other intangible assets related to insurance licenses. See Note 8 for further discussion.

Noncontrolling Interest

The Company utilized the average price per share from share purchases that were transacted between the Company and certain noncontrolling shareholders during 2013 to determine an approximate fair value of the noncontrolling interest at acquisition.

Goodwill

The Company recorded goodwill in the amount of $3.1 million related to the acquisition. The goodwill is not deductible for tax purposes. See Note 8 for further discussion.

3. Investments

Summary of Fair Value and Cost Information for Fixed Maturity and Equity Securities

Available-for-sale fixed maturity and equity securities are stated at fair value. Unrealized investment gains and losses, net of adjustments to deferred policy acquisition costs (DPAC) (see Note 6); unearned revenue liabilities (see Note 9); and deferred income taxes (see Note 15) are reported as a separate component of accumulated other comprehensive income in equity (see Note 18). The adjustments to DPAC and unearned revenue liabilities represent changes in the amortization of DPAC and unearned revenue liabilities that would have been required as a charge or credit to income had such unrealized amounts been realized.

The fair values for actively traded fixed maturity securities are determined based upon quoted market prices (see Note 20). Fair values for privately placed fixed maturity securities and those without an active market are determined utilizing an industry-standard pricing model. The model considers the current level of risk-free interest rates, current corporate spreads, the credit quality of the issuer, and the cash flow characteristics of the security. Utilizing this data, the model generates fair values that the Company considers reflective of the current fair value of each privately placed fixed maturity security. The Company also subscribes to several commercial pricing services that provide estimated fair values.

3. Investments (continued)

The following tables provide fair value and cost or amortized cost, together with gross unrealized gains and losses, for fixed maturity and equity securities at December 31 (in thousands):

	2013		2012	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ 8,008**	**$ 7,751**	$ 6,781	$ 5,981
Obligations of foreign governments	**525,959**	**504,270**	534,554	514,211
Obligations of U.S. states and municipalities	**52,768**	**50,484**	49,320	43,554
Corporate obligations	**1,466,797**	**1,360,055**	1,428,804	1,256,621
Residential mortgage-backed securities	**136,183**	**128,936**	155,970	144,993
Commercial mortgage-backed securities	**25,073**	**25,634**	17,457	16,727
Other asset-backed securities	**36,148**	**34,140**	42,777	38,876
Redeemable preferred stocks	**8,518**	**7,861**	8,172	7,862
Total fixed maturity securities	**$ 2,259,454**	**$ 2,119,131**	$ 2,243,835	$ 2,028,825
Equity securities:				
Domestic financial services	**$ 21,959**	**$ 21,740**	$ 13,016	$ 12,502
Domestic industrial	**–**	**–**	4,456	5,038
Domestic utilities	**12,254**	**12,333**	12,591	12,333
International financial services	**935**	**1,091**	1,021	1,123
International industrial	**738**	**1,091**	1,237	1,236
International utilities	**132**	**99**	130	108
Total equity securities	**$ 36,018**	**$ 36,354**	$ 32,451	$ 32,340

3. Investments (continued)

	2013		2012	
	Unrealized Gains	**Unrealized Losses**	**Unrealized Gains**	**Unrealized Losses**
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ 282**	**$ 25**	$ 800	$ –
Obligations of foreign governments	**30,042**	**8,353**	20,961	618
Obligations of U.S. states and municipalities	**3,047**	**763**	5,835	69
Corporate obligations	**118,498**	**11,756**	173,844	1,661
Residential mortgage-backed securities	**7,641**	**394**	11,565	588
Commercial mortgage-backed securities	**326**	**887**	792	62
Other asset-backed securities	**2,852**	**844**	4,093	192
Redeemable preferred stocks	**657**	**–**	310	–
Total fixed maturity securities	**163,345**	**23,022**	218,200	3,190
Equity securities:				
Domestic financial services	**707**	**488**	514	–
Domestic industrial	**–**	**–**	–	582
Domestic utilities	**80**	**159**	258	–
International financial	**1**	**157**	30	132
International industrial	**31**	**384**	59	58
International utilities	**33**	**–**	23	1
Total equity securities	**852**	**1,188**	884	773
Gross unrealized gains and losses on fixed maturity and equity securities	**$ 164,197**	**$ 24,210**	$ 219,084	$ 3,963
Net unrealized gains on fixed maturity and equity securities	**$ 139,987**		$ 215,121	

3. Investments (continued)

Analysis of Unrealized Losses on Fixed Maturity and Equity Securities

The Company reviews and analyzes its securities on an ongoing basis to determine whether impairments exist that are other-than-temporary. Based upon these analyses, an individual security value is written down to fair value through earnings as a realized investment loss if the security's decline in value is considered to be other-than-temporary. The Company considers various factors in determining whether a decline in the fair value of an individual security is other-than-temporary, including, but not limited to, the length of time and magnitude of the unrealized loss, the volatility of the market price of the security, analysts' recommendations, market liquidity, and the Company's intent and ability to hold the security until it recovers its value.

The Company has a policy and process in place to identify securities that could potentially have an impairment that is considered other-than-temporary. This process involves monitoring market events that could affect issuers' credit ratings, the business climate, management changes, litigation and government actions, and other similar factors. This process also involves monitoring late payments, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts, and cash flow projections as indicators of credit issues.

All securities are reviewed to determine whether impairments have occurred. This process includes an assessment of the credit quality of each investment in the entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 80% of amortized cost. Further, detailed analysis is performed for each issue or issues that experience a formal restructuring or in cases where the security has experienced material deterioration in fair value or a deterioration in value over an extended period of time.

The Company considers relevant facts and circumstances in evaluating whether the impairment of a security is other-than-temporary. Relevant facts and circumstances considered for fixed maturity securities include the following: the current fair value of the security as compared to cost; the length of time the fair value has been below cost; the financial position of the issuer, including the current and future effect of any specific event; and the Company's intent to sell a security or whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost. The Company also assesses the risk that an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer, the risk that the economic outlook will be worse than expected or have more of an effect on the issuer than anticipated, the risk that fraudulent

3. Investments (continued)

information could be provided to the Company's investment professionals who determine the fair value estimates, and the risk that new information obtained by the Company or changes in other facts and circumstances lead the Company to change its intent to hold the security to maturity or until it recovers in value. For equity securities, considerations include the Company's ability and intent to hold the security until it recovers in value in the near term.

The Company recorded $25,000 and $5,000 of other-than-temporary impairments related to fixed maturity securities in 2013 and 2012, respectively. Other-than-temporary impairments of fixed maturity securities are recorded within net realized investments (losses) gains in the consolidated statement of comprehensive income. The following table provides additional information regarding the period of continuous unrealized loss for fixed maturity and equity securities for December 31 (in thousands):

	2013		2012	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Less than 12 months				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government	**$ 1,975**	**$ 25**	$ –	$ –
Obligations of foreign governments	**118,327**	**8,346**	43,697	214
Obligations of U.S. states and municipalities	**16,152**	**763**	3,269	69
Corporate obligations	**189,001**	**9,372**	41,875	1,341
Residential mortgage-backed securities	**5,517**	**64**	13,403	406
Commercial mortgage-backed securities	**18,138**	**851**	–	–
Other asset-backed securities	**5,807**	**51**	–	–
Total fixed maturity securities	**354,917**	**19,472**	102,244	2,030
Equity securities:				
Domestic financial services	**9,574**	**488**	–	–
Domestic utilities	**5,985**	**159**	–	–
International financial services	**790**	**94**	101	132
International industrial	**101**	**74**	778	47
International utilities	**–**	**–**	22	1
Total equity securities	**16,450**	**815**	901	180
Total fixed maturity and equity securities	**$ 371,367**	**$ 20,287**	$ 103,145	$ 2,210

3. Investments (continued)

	2013		2012	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
12 months or longer				
Fixed maturity securities:				
Obligations of foreign governments	**$ 2,875**	**$ 7**	$ 32,544	$ 404
Corporate obligations	**22,591**	**2,384**	14,016	320
Residential mortgage-backed securities	**18,062**	**330**	19,164	182
Commercial mortgage-backed securities	**2,782**	**36**	3,531	62
Other asset-backed securities	**3,493**	**793**	4,351	192
Total fixed maturity securities	**49,803**	**3,550**	73,606	1,160
Equity securities:				
Domestic industrial	**–**	**–**	4,456	582
International financial services	**76**	**63**	–	–
International industrial	**535**	**310**	6	11
Total equity securities	**611**	**373**	4,462	593
Total fixed maturity and equity securities	**$ 50,414**	**$ 3,923**	$ 78,068	$ 1,753
Total	**$ 421,781**	**$ 24,210**	$ 181,213	$ 3,963

The Company did not hold securities of any corporation or its affiliates that exceeded 10% of equity.

The Company is exposed to the risk that issuers of securities owned by the Company will default or that interest rates or credit spreads will change and cause a decrease in the value of its investments. With mortgage-backed securities, the Company is also exposed to prepayment and extension risks. As interest rates change, the rate at which these securities pay down principal may change. These risks are mitigated by investing in high-grade securities and managing the maturities and cash flows of investments and liabilities.

Subprime securities include all fixed maturity securities or portions of fixed maturity securities whereby the underlying collateral is made up of home equity loans or first mortgage loans to borrowers whose credit scores at the time of origination were lower than the level recognized in the market as prime. At December 31, 2013 and 2012, the Company had no subprime exposure.

3. Investments (continued)

The Company invests in fixed maturity securities issued by the governments of the Latin American and Caribbean countries in which it operates. In some instances, the securities fulfill local regulatory requirements, but in most cases they offer an attractive risk/return investment option for the investment of the insurance reserves in those countries.

Contractual Maturities of Fixed Maturity Securities

The following table provides the distribution of maturities for fixed maturity securities as of December 31, 2013 (in thousands). Expected maturities may differ from these contractual maturities because certain borrowers have the right to call or prepay obligations. Mortgage-backed and other asset-backed securities of $197,404,000 (fair value) have been included in the table based upon management's estimate of their maturities.

	Fair Value	Amortized Cost
Due in one year or less	$ 99,792	$ 97,848
Due after one year through five years	670,029	634,314
Due after five years through ten years	850,817	784,043
Due after ten years	638,816	602,926
Total fixed maturity securities	$ 2,259,454	$ 2,119,131

Policy Loans

Policy loans are carried at the unpaid principal balance. Interest income on policy loans is recorded as earned in net investment income using the contractually agreed-upon interest rate. Valuation allowances are not established for policy loans, as these loans are fully collateralized by the cash surrender value of the underlying insurance policies.

3. Investments (continued)

Joint Ventures and Limited Partnerships

The Company's investments in joint ventures and limited partnerships are primarily recorded using the cost method of accounting, as the Company has minor equity investments and no significant influence over the joint venture or limited partnership operations. Certain investments in joint ventures are recorded based on the equity method of accounting when it is determined that the Company has significant influence over the joint ventures' operations. An analysis of investments in joint ventures and limited partnerships at December 31 is as follows (in thousands):

	2013	2012
Cost basis investments	**$ 33,762**	$ 36,399
Equity-method investments	**530**	262
Total joint ventures and limited partnerships	**$ 34,292**	$ 36,661

It is the Company's policy to review all cost-method investments for impairment. The Company estimated that the fair value exceeded cost, and therefore was not impaired, for investments with an aggregate cost of $31.0 million. The remaining $2.8 million of investments where the fair value is less than cost are not considered to be other-than-temporarily impaired due to the near-term prospects of the investees and the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value. In 2013 and 2012, the Company recorded other-than-temporary impairments related to limited partnerships in the amounts of $1,541,000 and $1,132,900, respectively. Other-than-temporary impairments of joint ventures and limited partnerships are recorded within net realized investments (losses) gains in the consolidated statement of comprehensive income.

At December 31, 2013, the Company is obligated to invest an additional $23.5 million in certain limited partnerships under provisions of the related subscription agreements.

Mortgage Loans on Real Estate

The Company invests in mortgage loans collateralized by commercial and residential real estate. Purchases of mortgage loans during 2013 were $3.0 million. The Company did not invest in any new mortgage loans during 2012.

3. Investments (continued)

Mortgage loans are carried at unpaid principal balances, adjusted for amortization of premium and accretion of discount. Interest income is accrued on the principal balance of the loan based on the contractual interest rate. A loan is considered impaired if it is probable that contractual amounts due will not be collected. Loans in foreclosure and loans considered to be impaired are placed on a nonaccrual status. Interest income received from loans on a nonaccrual status is recognized on a cash basis. If all delinquent payments are made and the loan is brought current, the Company returns the loan to active status and accrues income accordingly.

The maximum percentage of any one loan to the value of the security at the origination of the loan, exclusive of insured or guaranteed purchase money mortgages, was 80%. The Company had no impaired loans for which there was a specific allowance for credit losses at December 31, 2013 or 2012.

In 2013, the Company recorded impairments related to mortgage loans in the amount of $58,000. In 2012, the Company did not record any impairments related to mortgage loans.

The Company's mortgage loans finance various types of commercial and residential properties within the United States, the Caribbean, and certain Latin American countries. The geographic distributions of the mortgage loans at December 31 are as follows (in thousands):

	2013	2012
El Salvador	**$ 746**	$ 920
Honduras	**681**	847
Dominica	**554**	576
Dominican Republic	–	236
Guatemala	–	74
Panama	–	5
United States:		
Maryland	**3,000**	–
Texas	**494**	752
Missouri	**393**	545
Oklahoma	**325**	484
All other states	**2**	4
Louisiana	–	743
Connecticut	–	574
Total mortgage loans	**$ 6,195**	$ 5,760

3. Investments (continued)

Investments in Real Estate

The Company's investments in real estate consist of real estate that the Company has the intent to hold for the production of income and are carried at depreciated cost, less any write-downs to fair value for impairment losses.

The Company's investments in real estate are reviewed for impairment whenever events or circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized when the carrying value of the investment in real estate exceeds the estimated undiscounted future cash flows (excluding interest charges) from the investment. At that time, the carrying value of the investment in real estate is written down to fair value. Decreases in the carrying values of investments in real estate due to other-than-temporary impairments are recorded in other-than-temporary impairment losses. Depreciation on real estate is computed using the straight-line method over the estimated lives of the properties and is included as a charge to net investment income.

The Company invests directly in certain commercial real estate properties located in Latin America and the Caribbean. The geographic distribution of the real estate investments at December 31 is as follows (in thousands):

	2013	2012
El Salvador	**$ 9,926**	$ 9,926
Barbados	**4,636**	4,618
Curacao	**2,898**	2,848
Trinidad and Tobago	**1,299**	1,780
Honduras	**1,041**	1,055
Ecuador	**189**	188
Guatemala	**–**	115
	19,989	20,530
Accumulated depreciation	**(4,049)**	(3,702)
Total investments in real estate	**$ 15,940**	$ 16,828

The minimum aggregate rental income commitments are as follows for the five succeeding years (in thousands): 2014 – $2,132; 2015 – $1,619; 2016 – $953; 2017 – $240; 2018 – $231.

3. Investments (continued)

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds, and certificates of deposit, which are primarily held with foreign institutions, as well as investments with original maturities of three months or less when purchased. Cash of approximately $39,500,000 and $42,351,000 at December 31, 2013 and 2012, respectively, was maintained as compensating balances with several institutions for banking services rendered.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are fixed maturity securities, mortgage loans, stocks, and accounts receivable. The Company limits the amount of credit exposure with any one financial institution, issuer, mortgagee, and customer, and believes that no significant concentration of credit risk exists with respect to these assets or other cash investments.

Net Investment Income and Net Realized and Unrealized Investment Gains and Losses

Investment income is recognized when earned. Realized gains and losses on the sale of investments are determined on the basis of specific security identification recorded on the trade date. Premiums and discounts on fixed maturity securities are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method.

Investment income on mortgage-backed fixed maturity securities is initially based upon yield, cash flow, and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective method, except for adjustable-rate mortgage-backed securities, where the prospective method is used. Under the retrospective method, the amortized cost of a security is adjusted to the amount that would have existed had the revised assumptions been in place at the time of purchase. Under the prospective method, future cash

3. Investments (continued)

flows are estimated and interest income is recognized going forward using the new internal rate of return. The adjustments to amortized cost under both methods are recorded as a charge or credit to net investment income.

Net investment income by major category for the years ended December 31 is provided in the following table (in thousands):

	2013	2012
Interest on fixed maturity securities	**$ 119,851**	$ 104,739
Interest on policy loans	**9,072**	6,650
Joint venture and limited partnership distributions	**3,629**	2,985
Interest on short-term investments, cash, and cash equivalents	**2,640**	2,109
Real estate rental income	**2,582**	2,093
Dividends on equity securities	**2,542**	1,979
Interest on mortgage loans	**361**	445
Other investment income	**–**	1
Total investment income	**140,677**	121,001
Less investment expenses	**7,312**	4,807
Net investment income	**$ 133,365**	$ 116,194

Net realized investment (losses) gains, for the years ended December 31, were from the following sources (in thousands):

	2013	2012
Fixed maturity securities	**$ 5,496**	$ 7,171
Equity securities	**2,027**	(244)
Joint ventures	**(2,527)**	(1,742)
Real estate	**11**	(41)
Mortgage loans	**(57)**	(70)
Derivatives	**(5,172)**	–
Other	**(4)**	(5)
Total	**$ (226)**	$ 5,069

3. Investments (continued)

Proceeds from the sales of available-for-sale securities were $184,149,000 and $415,113,000 during 2013 and 2012, respectively. The table below provides gross realized gains and losses on the sale of available-for-sale securities, including other-than-temporary impairments of investments, for the years ended December 31 (in thousands):

	2013			**2012**		
	Gross Gains	**Gross Losses**	**Net Gains**	**Gross Gains**	**Gross Losses**	**Net Gains (Losses)**
Fixed maturity securities	**$ 11,814**	**$ (6,318)**	**$ 5,496**	$ 10,175	$ (3,004)	$ 7,171
Equity securities	**2,603**	**(576)**	**2,027**	132	(376)	(244)
Total	**$ 14,417**	**$ (6,894)**	**$ 7,523**	$ 10,307	$ (3,380)	$ 6,927

The following table provides the components of net unrealized gains and losses on investments included in other comprehensive income for the years ended December 31 (in thousands):

	2013	**2012**
Net unrealized (losses) gains on fixed maturity securities	$ (69,191)	$ 62,387
Reclassification adjustment for realized gains on fixed maturity securities included in net income	(5,496)	(7,171)
Net unrealized gains (losses) on equity securities	1,580	(192)
Reclassification adjustment for realized (gains) losses on equity securities included in net income	(2,027)	244
	(75,134)	55,268
Applicable adjustment for DPAC	30,996	(13,346)
Applicable adjustment for unearned revenue liabilities	(1,599)	984
Applicable income taxes	2,299	(10,322)
Net unrealized (losses) gains on investments for the year	$ (43,438)	$ 32,584

4. Derivatives and Hedging

Accounting and Strategies for Derivatives

In the normal course of business, the Company is subject to risk from adverse fluctuations in interest rates and credit and equity markets. The Company manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and options. Counterparties to these contracts are major financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not use derivative instruments for trading or speculative purposes.

The Company's objective in managing exposure to market risk is to limit the impact on earnings and cash flows. The extent to which the Company uses such instruments is dependent on its access to these contracts in the financial markets.

All of the Company's outstanding derivative financial instruments are recognized in the balance sheet at their fair values. The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. Changes in the fair values of instruments designated to reduce or eliminate adverse fluctuations in the fair values of the Company's invested assets are reported currently in earnings along with changes in the fair values of the hedged items.

Changes in the effective portions of the fair values of instruments used to reduce or eliminate adverse fluctuations in cash flows are reported in equity as a component of accumulated other comprehensive income. Amounts in accumulated other comprehensive income are reclassified to earnings when the related hedged items affect earnings or when the anticipated transactions are no longer probable. Changes in the fair values of derivative instruments that are not designated as hedges or that do not qualify for hedge accounting treatment are reported currently in earnings. Amounts reported in earnings are classified consistent with the item being hedged.

For derivative financial instruments accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective, and the manner in which effectiveness of the hedge will be assessed. The Company formally assesses, both at inception and at each reporting period thereafter, whether the derivative financial instruments used in hedging transactions are effective in offsetting changes in cash flows of the related underlying exposures. Any ineffective portion of the change in fair value of the instruments is recognized immediately in earnings.

4. Derivatives and Hedging (continued)

The Company discontinues the use of hedge accounting prospectively when (1) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item; (2) the derivative instrument expires, is sold, terminated, or exercised; or (3) designating the derivative instrument as a hedge is no longer appropriate.

Cash Flow Hedges

The Company designates certain derivative financial instruments as cash flow hedges. No components of the hedging instruments are excluded from the assessment of hedge effectiveness. All changes in fair value of outstanding derivatives in cash flow hedges, except any ineffective portion, are recorded in other comprehensive income until earnings are impacted by the hedged transaction. Classification of the gain or loss in net income upon release from other comprehensive income is the same as that of the underlying exposure.

When the Company discontinues hedge accounting because it is no longer probable that an anticipated transaction will occur in the originally expected period, changes to fair value accumulated in other comprehensive income are recognized immediately in earnings.

The Company uses an interest rate swap to manage the interest payments on its variable-rate debt. At December 31, 2013, the Company has one swap outstanding, which expires in December 2025, with a notional value of $50,000,000 and a fair value loss of $266,000. The fair value loss was recognized in other comprehensive income during 2013.

The swap has been and continues to be effective in mitigating the risk of changes in interest rates because the critical terms of the swap, including the notional amount, interest reset dates, and underlying interest rate benchmarks, match those of the debt.

Equity Derivatives

The Company used an equity index put option to manage fluctuations in fair value of the assets backing the Company's defined benefit pension plan. To protect against any adverse changes in equity indices, the Company entered into a contract to sell the equity index within a limited time at a contracted price. The put option did not qualify for hedge accounting. The contract was net settled in cash based on differentials in the indices at the time of exercise and the strike price. The contract was settled on December 31, 2013, and the Company recognized a pre-tax loss of $1,715,000 in net income during 2013.

4. Derivatives and Hedging (continued)

Interest Rate Derivatives

The Company uses a swaption to manage interest rate risk associated with the Company's invested assets. A swaption is an option to enter into a swap with a forward starting effective date. The swaption does not qualify for hedge accounting. At December 31, 2013, the Company has one swaption outstanding, which expires in December 2020, with a notional value of $1 billion and a fair value loss of $3,457,000. The loss was recognized in net income during 2013.

As part of the swaption, the Company has posted $3,120,000 in cash collateral as of December 31, 2013. The collateral is reported within other assets of continuing operations.

Fair Value Amounts and Gains and Losses on Derivative Instruments

The following table presents the gross notional amount, estimated fair value, and primary underlying risk exposure of the Company's derivatives as of December 31, 2013 (in thousands):

	Underlying Risk Exposure	Notional Amount	Estimated Fair Value	
			Asset	Liability
Cash Flow Hedges				
Interest rate swap	Interest rate	$ 50,000	$ –	$ 266
Derivatives Not Designated as Hedges				
Swaption	Interest rate	1,000,000	6,943	–

The estimated fair value of all derivatives in an asset position is reported within other assets of continuing operations and the estimated fair value of all derivatives in a liability position is reported within other liabilities of continuing operations in the consolidated balance sheet.

4. Derivatives and Hedging (continued)

The following table presents the gains or losses, as well as the applicable financial statement caption that the amounts are recorded in on the consolidated statement of comprehensive income, related to the Company's derivatives for the year ended December 31, 2013.

	Statement of Comprehensive Income Location	Loss
Cash Flow Hedges		
Interest rate swap	Unrealized losses on derivatives	$ (266)
Derivatives Not Designated as Hedges		
Swaption	Net realized investment (losses) gains	(3,457)
Equity index option	Net realized investment (losses) gains	(1,715)

The effective portion of the loss on the Company's cash flow hedge recorded in accumulated other comprehensive income within the consolidated balance sheet was $266,000 as of December 31, 2013. There were no amounts recorded during 2013 related to hedge ineffectiveness.

5. Property and Equipment

Property and equipment used by the Company in its insurance operations are recorded at cost and depreciated over estimated useful lives using the straight-line method. Home office buildings owned by certain affiliates are depreciated over 25 to 50 years, and furniture and equipment are depreciated over 3 to 15 years. Internal and external software application development costs are capitalized. Software applications are amortized on a straight-line basis. Operating software is amortized over a 3-year period, and non-operating software is amortized over 5 to 7 years.

5. Property and Equipment (continued)

Balances in property and equipment for the years ended December 31 are as follows (in thousands):

	2013	2012
Buildings	**$ 28,351**	$ 29,082
Furniture and equipment	**17,440**	13,442
Software applications	**14,776**	12,045
Leasehold improvements	**919**	1,183
Total property and equipment, at cost	**61,486**	55,752
Less: accumulated depreciation and amortization	**(19,803)**	(19,278)
Total property and equipment – net	**$ 41,683**	$ 36,474

For the years ended December 31, 2013 and 2012, depreciation and amortization expense for property and equipment was approximately $1,628,000 and $3,582,000, respectively, including amortization of software applications of $813,000 and $1,046,000, respectively.

In December 2006, the Company sold its home office building, located in New Orleans, Louisiana, to an unaffiliated company in a sale-leaseback transaction. In conjunction with the sale, the Company leased back office space pursuant to a 10-year lease commencing in October 2007, with 6 optional renewal periods of 5 years each. The minimum aggregate rental commitments under that lease are as follows (in thousands): 2014 – $1,436; 2015 – $1,473; 2016 – $1,509; 2017 – $1,153.

Rents during the renewal periods could escalate with the prevailing market rental rates of similar Class A office space in New Orleans.

5. Property and Equipment (continued)

In connection with the sale, the Company recorded a deferred gain of $6,563,000, which is being amortized as an offset to annual rental expense over the initial lease term. In both 2013 and 2012, the Company amortized $703,000 of the deferred gain on the sale of the home office building as an offset to rental expense. At December 31, 2013 and 2012, the deferred gain recorded in other liabilities on the consolidated balance sheet was $3,357,000 and $4,060,000, respectively.

The Company also leases other office space and equipment for its operations in the United States, Latin America, and the Caribbean under the terms of operating leases. The minimum aggregate rental commitments are as follows for the five succeeding years (in thousands): 2014 – $2,196; 2015 – $2,030; 2016 – $1,704; 2017 – $633; 2018 – $152. Rental expense for 2013 and 2012 was $3,684,000 and $3,608,000, respectively.

6. Deferred Policy Acquisition Costs

DPAC represents the incremental direct costs of successful contract acquisition, such as commissions, as well as certain other costs related directly to acquisition activities such as underwriting, policy issuance and processing, medical exams and inspections, and certain sales inducements. These costs, which are directly related to the production of new business, are deferred to the extent recoverable and then amortized over time. Other incurred costs that are not directly related to the successful acquisition of new or renewal insurance contracts are charged to expense as incurred.

The methodology for determining the amortization of DPAC varies by product type. For certain products, primarily universal life, deferred costs are amortized in proportion to the expected future profits of the business. Profit expectations are based upon assumptions of future interest spreads, mortality margins, expense margins, and policy and premium persistency experience. These assumptions involve judgment and are compared to actual experience on an ongoing basis. If it is determined that the assumptions related to the profit expectations for universal life products should be revised, the effect of the change is reported in the current period's income. For other products, primarily term life, the deferred costs are amortized on a straight-line basis or as a level percentage of premium, depending on the block of business.

DPAC is reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. If it is determined from emerging experience that the premium margins or gross profits are insufficient to amortize deferred costs, then the asset will be adjusted downward, with the adjustment recorded as an expense in the current period. No such adjustment was required during 2013 or 2012.

6. Deferred Policy Acquisition Costs (continued)

In addition, the DPAC asset is adjusted to reflect the effect of unrealized gains and losses on fixed maturity securities available for sale, as described in Note 3.

The balances of and changes in deferred policy acquisition costs as of December 31, and for the years then ended, are as follows (in thousands):

	2013	2012
Balance at beginning of year	**$ 93,096**	$ 95,306
Capitalization of commissions, sales, and issue expenses	**26,109**	22,970
Amortization charged to net income	**(13,023)**	(11,853)
Amortization credited (charged) to other comprehensive income	**30,996**	(13,346)
Foreign currency translation adjustment (charged) credited to net income	**(47)**	23
Foreign currency translation adjustment credited (charged) to other comprehensive income	**28**	(4)
Balance at end of year	**$ 137,159**	$ 93,096

The December 31, 2013 and 2012, balances are net of $(50,235,000) and $(81,231,000), respectively, applicable to unrealized investment gains included in accumulated other comprehensive income (see Note 18).

7. Value of Business Acquired

Value of business acquired (VOBA) represents the value of future profits embedded in acquired insurance policies and is calculated as the difference between the following:

- The fair value of the contractual insurance and reinsurance assets acquired and liabilities assumed
- The contractual insurance and reinsurance assets acquired and liabilities assumed measured in accordance with the acquirer's accounting policies for insurance and reinsurance contracts that it issues or holds

7. Value of Business Acquired (continued)

Information related to the change in VOBA balance during the year is as follows:

	2013	2012
Balance at beginning of year	**$ 10,407**	$ –
Acquired during year	**–**	11,581
Amortization charged to net income	**(1,629)**	(1,013)
Foreign currency translation adjustment credited to net income	**(14)**	(161)
Balance at end of year	**$ 8,764**	$ 10,407
Accumulated amortization	**$ 2,642**	$ 1,013

Estimated amortization expense for VOBA for each of the five succeeding fiscal years is as follows (in thousands): 2014 – $1,046; 2015 – $919; 2016 – $814; 2017 – $721; 2018 – $645.

8. Goodwill and Other Intangible Assets

In connection with the 2012 acquisition discussed in Note 2, the Company recorded identifiable intangible assets related to insurance licenses separately from goodwill. The Company assigned an initial value of $345,000 to the insurance licenses acquired and $3,112,000 to the goodwill. Insurance licenses were determined to be indefinite-lived, as is the goodwill, and, thus, are not subject to amortization.

The Company has an intangible asset related to a nonsolicitation agreement from a prior acquisition in 2011. The amortization period of the nonsolicitation agreement is six years and is based on the average expected tenure of sales executives and their related broker and agent relationships.

The Company also has intangible assets from an acquisition in 2009 related to a noncompete agreement and an assumed book of accounts for limited health and ancillary products (the Closed Book).

8. Goodwill and Other Intangible Assets (continued)

The amortization period for the Closed Book is 5 years and is based on the expected renewal pattern of the assumed business. The amortization period of the noncompete agreement is 10 years and is based on the average expected tenure of sales executives and their related broker and agent relationships.

Balances of goodwill and indefinite-lived intangible assets were as follows as of December 31 (in thousands):

	2013	2012
Goodwill	**$ 3,112**	$ 3,112
Insurance licenses	**345**	345
Total	**$ 3,457**	$ 3,457

Balances of finite-lived intangible assets were as follows as of December 31 (in thousands):

	2013		2012	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Noncompete agreement	**$ 5,417**	**$ (2,243)**	$ 5,417	$ (1,239)
Nonsolicitation agreement	**5,087**	**(1,613)**	5,087	(570)
Closed Book	**277**	**(271)**	277	(253)
Total	**$ 10,781**	**$ (4,127)**	$ 10,781	$ (2,062)

Aggregate amortization expense for the years ended December 31, 2013 and 2012, was approximately $2,065,000 and $1,258,000, respectively.

8. Goodwill and Other Intangible Assets (continued)

Estimated amortization of intangible assets for the succeeding five years is as follows (in thousands): 2014 – $1,922; 2015 – $1,802; 2016 – $1,649; 2017 – $858; 2018 – $423.

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. There were no identified events of changes in circumstances that indicated the carrying amount of the Company's identifiable intangible assets would not be recoverable during 2013.

9. Policyholder Benefits

Policyholder Account Balances and Other Policyholder Funds

Liabilities for universal life-type contracts are included in policyholder account balances, without reduction for potential surrender charges. Front-end contract charges are amortized over the term of the policies, with the balance held in future policy benefits. Policyholder benefits incurred in excess of related policyholder account balances are charged to policyholder benefits expense. Interest on policyholder account balances is credited as earned.

9. Policyholder Benefits (continued)

Amounts for policyholder account balances at December 31 are as follows (in thousands):

	2013	2012
Policyholder account balances	**$ 1,335,126**	$ 1,277,614
Unearned revenue liability	**43,939**	38,434
Dividends payable	**42,702**	43,813
Policyholder account balances and other policyholder funds	**$ 1,421,767**	$ 1,359,861

The December 31, 2013 and 2012, balances are net of $2,107,000 and $3,706,000, respectively, applicable to unrealized investment gains included in accumulated other comprehensive income (see Note 18).

Crediting rates for universal life insurance and fixed deferred annuity products ranged from 3% to 6% in 2013 and 4% to 6% in 2012.

Future Policy Benefits

Liabilities for future policy benefits of traditional life insurance have been computed by a net level premium method based upon estimates at the time of issue for investment yields, mortality, and withdrawals. These estimates include provisions for experience less favorable than actually expected. Mortality assumptions are based on the Company's experience expressed as a percentage of standard mortality tables.

Liabilities for future policy benefits of immediate annuities and supplementary contracts with life contingencies are also computed by a net level premium method, based upon estimates at the time of issue for investment yields and mortality.

Liabilities for future policy benefits of accident and health insurance represent estimates of payments to be made on reported insurance claims, as well as claims incurred but not yet reported. These liabilities are estimated using actuarial analyses, claim trends, and industry experience.

Liabilities for future policy benefits of deferred annuities represent the cash surrender value of the contract.

9. Policyholder Benefits (continued)

Unearned revenue liabilities, principally unearned administrative fees on universal life products, vary with and are directly related to the production of new business and are deferred to the extent recoverable and then amortized over time. Deferred amortization fees are amortized in proportion to the expected future profits of the business. Profit expectations are based upon assumptions of future interest spreads, mortality margins, expense margins, and policy and premium persistency experience. These assumptions involve judgment and are compared to actual experience on an ongoing basis. If it is determined that the assumptions related to the profit expectations for universal life products should be revised, the effect of the change is reported in the current period's income.

DPAC is reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. If it is determined from emerging experience that the premium margins or gross profits are insufficient to amortize deferred costs, then the related unearned revenue liability will be adjusted downward, with the adjustment recorded as revenue in the current period. No such adjustment was required during 2013 or 2012.

In addition, the unearned revenue liabilities are adjusted to reflect the effect of unrealized gains and losses on fixed maturity securities available for sale, as described in Note 3.

For certain types of insurance contracts acquired in the 2012 acquisition (see Note 2), the estimated fair value of acquired liabilities exceeded the initial policy reserves assumed at the acquisition date, resulting in negative VOBA of $108.4 million recorded at the acquisition date. Negative VOBA is recorded as an additional insurance liability in future policy benefits. Information related to the change in negative VOBA balance during the year is as follows (in thousands):

	2013	**2012**
Balance at beginning of year	**$ 105,415**	$ –
Acquired during year	**–**	108,434
Amortization credited to net income	**(3,997)**	(1,827)
Foreign currency translation adjustment credited to other comprehensive income	**(1,137)**	(1,192)
Balance at end of year	**$ 100,281**	$ 105,415
Accumulated amortization	**$ 5,824**	$ 1,827

9. Policyholder Benefits (continued)

Estimated amortization of negative VOBA for each of the five succeeding fiscal years is as follows (in thousands): 2014 – $4,337; 2015 – $4,102; 2016 – $4,057; 2017 – $4,207; 2018 – $4,140.

Participating Policies

The Company has participating insurance contracts whereby the policyholder is entitled to share in the entity's earnings through dividends. Participating business at December 31, 2013 and 2012, approximated 3% and 4% of premiums, and 16% and 20% of the life insurance in force, respectively. The amount of dividends to be paid is controlled by dividend protection mechanisms. A provision has been made in the liability for future policy benefits to allocate amounts to participating policyholders on the basis of dividend scales most recently approved by the Board of Directors of the issuing life insurance companies. For the years ended December 31, 2013 and 2012, the Company recorded dividends of $7.9 million and $8.1 million, respectively. These amounts are included in policyholder benefits and claims in the consolidated statement of comprehensive income.

10. Unpaid Accident and Health Claims Liability

The liability for unpaid accident and health claims is included with policy and contract claims on the consolidated balance sheet. At December 31 and for the years then ended, the balances in the liabilities, as well as paid and incurred claims by incurred years, are as follows (in thousands):

	2013	2012
Current year incurred claims	**$ 216,932**	$ 204,621
Prior years incurred claims	**708**	5,964
Total incurred claims	**217,640**	210,585
Payments for current year incurred claims	**174,601**	157,928
Payments for prior years incurred claims	**39,774**	33,095
Total paid claims	**214,375**	191,023
Increase for the year	**3,265**	19,562
Net liability, beginning of year	**55,916**	36,354
Net liability, end of year	**59,181**	55,916
Plus reinsurance recoverable	**2,568**	2,300
Gross liability, end of year	**$ 61,749**	$ 58,216

The incurred claims related to prior years' unpaid accident and health claims reflect the unfavorable development of these liabilities resulting from the actual frequency and severity of claims differing from original estimates.

11. Revenues and Reinsurance

Traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of whole life insurance, term life insurance, and certain annuities with life contingencies. Premiums for traditional life and insurance products are reported as revenue when due. Premiums on accident and health and disability insurance are earned ratably over the contract period in proportion to the amount of insurance protection provided. A reserve is provided for the portion of premiums written that relate to unexpired terms of coverage.

11. Revenues and Reinsurance (continued)

Deposits related to universal life, fixed deferred annuity contracts, and investment-type products are reported as deposits to policyholder account balances. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, as well as policy administration and surrender charges, and are recognized in the period in which the services are provided. Surrender charges are recognized upon surrender of a contract by the contract holder in accordance with contractual terms.

In the normal course of business, the Company cedes risks to other insurers, primarily to protect the Company against adverse fluctuations in mortality and morbidity experience. Reinsurance is affected on individual risks and through various quota share arrangements. Business is reinsured primarily through yearly renewable term and coinsurance agreements. Under yearly renewable term insurance, the Company pays annual premiums, and the reinsurer reimburses claims paid related to this coverage. Under coinsurance, the reinsurer receives a proportionate share of the premiums, less applicable commissions, and is liable for a corresponding share of policy benefits. The Company remains liable if the reinsurer should be unable to meet obligations assumed under the reinsurance contract. The Company also assumes risks ceded by other companies.

Reinsurance receivables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policy benefits, and policyholder account balances. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. Premiums, benefits, and changes in DPAC are reported net of insurance ceded. DPAC, amounts recoverable, and other amounts due from reinsurers are reported on a gross basis.

11. Revenues and Reinsurance (continued)

The table below provides information about reinsurance as of and for the years ended December 31:

	2013				2012			
	Direct	**Ceded**	**Assumed**	**Net**	**Direct**	**Ceded**	**Assumed**	**Net**
Premiums earned (in thousands):								
Accident and health	**$ 395,448**	**$ (65,028)**	**$ 3,646**	**$ 334,066**	$ 352,776	$ (58,450)	$ 2,935	$ 297,261
Life insurance	**86,410**	**(15,178)**	**6,028**	**77,260**	58,383	(9,935)	545	48,993
Total premiums earned	**$ 481,858**	**$ (80,206)**	**$ 9,674**	**$ 411,326**	$ 411,159	$ (68,385)	$ 3,480	$ 346,254
Policyholder benefits and claims (in thousands):								
Accident and health	**$ 257,426**	**$ (42,124)**	**$ 514**	**$ 215,816**	$ 246,603	$ (36,766)	$ 2,262	$ 212,099
Life insurance	**106,887**	**(12,695)**	**3,422**	**97,614**	88,375	(15,241)	684	73,818
Total policyholder benefits and claims	**$ 364,313**	**$ (54,819)**	**$ 3,936**	**$ 313,430**	$ 334,978	$ (52,007)	$ 2,946	$ 285,917
Life insurance in force (in millions)	**$ 40,249**	**$ (7,663)**	**$ 672**	**$ 33,258**	$ 37,169	$ (9,083)	$ 164	$ 28,250

11. Revenues and Reinsurance (continued)

The table below provides information about reinsurance receivables relating to claims and reserves at December 31 (in thousands):

	2013	2012
Future policy benefits ceded:		
Life insurance	**$ 25,891**	$ 25,012
Accident and health insurance	**30,005**	37,278
Total future policy benefits ceded	**55,896**	62,290
Policy and contract claims ceded:		
Life insurance	**3,456**	7,051
Accident and health insurance	**26,198**	15,250
Total policy and contract claims ceded	**29,654**	22,301
Amounts recoverable from reinsurers	**$ 85,550**	$ 84,591

The maximum retention on any one life for ordinary life plans was $600,000 for both 2013 and 2012 and for group life plans was $150,000 and $125,000 for 2013 and 2012, respectively. The maximum retention on any one insured for both individual major medical and group medical plans was $300,000 for both 2013 and 2012. Should reinsurers be unable to meet obligations assumed under reinsurance contracts, the Company remains liable under the insurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers on a continual basis.

12. Notes Payable

The table below presents the components of notes payable at December 31 (in thousands):

	2013	2012
Surplus note	**$ 50,000**	$ 50,000
Deferred gain on surplus note hedge	**223**	361
Total notes payable	**$ 50,223**	$ 50,361

12. Notes Payable (continued)

Surplus Note – In October 2005, Pan-American Life issued a $50 million par value surplus note with a 7.8% coupon rate payable quarterly for the first 10 years. Interest payments subsequent to the first 10 years are payable at the London Interbank Offered Rate (LIBOR) plus 2.9%, adjustable quarterly until the note's maturity in December 2035. The note is callable in year 10 at 100% of par at Pan-American Life's option. Proceeds received were $49 million, net of a $1 million placement fee. The note is subordinated to the payment of all policy claims and all senior indebtedness, if any. Interest and principal payments may be made only with prior approval of the Louisiana Department of Insurance, only out of the statutory surplus of Pan-American Life and only if, after any such payment, Pan-American Life is left in possession of such assets to meet all of its liabilities, to maintain full reserve against all its policies, and to maintain the minimum capital and surplus required by applicable law and regulations of the state of Louisiana. Pan-American Life incurred $3,903,000 of interest on the surplus note in each of the years ended December 31, 2013 and 2012.

Deferred Gain on Surplus Note Hedge – In addition, Pan-American Life entered into and exited from a cash flow hedge through an interest rate forward contract during 2005 to hedge against the 10-year fixed interest rate during the issuance period of the surplus note. Pan-American Life realized a $1,640,000 gain on this transaction, which will be amortized as interest expense using the effective interest rate method over the 10-year call period of the surplus note. At December 31, 2013 and 2012, the remaining unamortized gain is $223,000 and $361,000, respectively.

Greenwood International Line of Credit – Greenwood International, a subsidiary of the Company, has a $350,000 revolving line of credit agreement with a bank. The line of credit bears interest at a variable rate, as set by the lender, plus 1.0%, with an interest rate floor of 4.5%. Interest is due monthly with the outstanding principal due May 31, 2014. There was no balance drawn on the line of credit as of December 31, 2013, and there was no interest expense incurred during 2013. There was no balance drawn on the line of credit as of December 31, 2012, and interest expense in 2012 was $10,000. As of December 31, 2013 and 2012, Greenwood International had $70,000 of letters of credit issued but not drawn upon under the line of credit. Greenwood International was in compliance with all required debt covenants as of December 31, 2013.

Pan-American Life Letters of Credit – In December 2013, Pan-American Life issued a $150,000 letter of credit in support of certain reinsurance agreements. As of December 31, 2013, the letter of credit had not been drawn upon.

12. Notes Payable (continued)

Federal Home Loan Bank

The Company is a member of the Federal Home Loan Bank of Dallas (FHLB). Through its membership, the Company may take cash advances in the amount of $87 million by pledging the securities in custody as collateral. It is part of the Company's strategy to utilize these funds for liquidity in general operations. Any funds obtained from the FHLB for use in general operations are accounted for consistent with accounting standards related to debt obligations.

The Company had no borrowings with the FHLB during 2013. On May 16, 2012, the Company borrowed $50 million at 0.33% to mature on November 16, 2012. The Company rolled over the $50 million loan on November 16, 2012, until December 31, 2012, at 0.18%. The Company repaid the loan on December 11, 2012, and over the term paid $92,033 of interest and early penalty fees of $2,730. No loans were outstanding at December 31, 2013 or 2012.

The table below indicates the amount of FHLB stock purchased and assets in custody related to the agreement with FHLB at December 31.

	2013	**2012**
FHLB stock purchased/owned as part of the agreement	**$ 597,400**	$ 593,700
Borrowing capacity currently available	**80,020,000**	87,063,700
Agreement assets in custody with FHLB general account	**99,786,000**	93,728,000

13. Other Liabilities

The table below presents the components of other liabilities of continuing operations at December 31 (in thousands):

	2013	2012
Accounts payable and accrued expenses	**$ 26,203**	$ 37,906
Deferred compensation	**8,789**	7,580
Remittances and items unallocated	**8,753**	14,500
Commissions due and accrued	**8,462**	6,716
Amounts payable to reinsurers	**7,817**	6,497
Ceded premiums due and accrued	**7,415**	995
Accrued taxes, licenses, and fees	**6,765**	4,639
Escheat liabilities	**3,741**	2,299
Deferred gain on sale of home office building	**3,357**	4,060
Amounts withheld from employees	**2,661**	2,436
Cash flow hedge liability	**266**	–
Accrued retirement benefits related to the hotel	**–**	1,224
Miscellaneous liabilities	**7,222**	2,589
Total other liabilities	**$ 91,451**	$ 91,441

14. Statutory Information and Stockholder Dividends Restriction

The table below provides Pan-American Life's net gain from operations, net income, unassigned surplus, and capital and surplus on the statutory basis used to report to regulatory authorities for the years ended December 31 (in thousands):

	2013	2012
Net gain from operations	**$ 26,635**	$ 16,404
Net income	**27,295**	15,329
Unassigned surplus at December 31	**186,701**	167,788
Capital and surplus at December 31	**244,635**	226,564

14. Statutory Information and Stockholder Dividends Restriction (continued)

Pan-American Life may pay dividends without the prior approval of the Louisiana Department of Insurance in any consecutive 12-month period in an amount that is the lesser of statutory net gain from operations for the preceding year or 10% of statutory stockholder's equity at the end of the preceding year. For the years ended December 31, 2013 and 2012, Pan-American Life paid a dividend of $28.4 million and $17.2 million, respectively, to Pan-American Life Group. Dividends paid to Pan-American Life Group may not exceed statutory unassigned surplus. The maximum stockholder dividends payable in 2013 without prior approval is $16.4 million, the statutory net gain from operations after dividends to policyholders and before federal income taxes in 2012.

Risk-based capital is a measurement developed by U.S. insurance regulators to identify the minimum amount of capital appropriate for a U.S. insurance company to support its overall business operations based on its size and risk profile. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. The adequacy of a company's actual capital is measured by the risk-based capital results as determined by the formulas. Companies below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2013 and 2012, Pan-American Life, as well as each of the life insurance company's subsidiaries, exceeded the minimum risk-based capital requirements.

The Mutual Holding Company's insurance subsidiaries are required to deposit a defined amount of assets with state regulatory authorities. Such assets, consisting of investments and cash equivalents, had an aggregate carrying value of $11.7 million at December 31, 2013 and 2012. The aggregate required capital and surplus of the Company's other foreign insurance operations was $105.1 million and the aggregate actual regulatory capital and surplus of such operations was $251.7 million as of December 31, 2013. Those other foreign insurance operations were each in compliance with the capital and solvency requirements of their respective countries as of the date of the most recent required capital adequacy calculation for each jurisdiction.

In 2012, the National Association of Insurance Commissioners issued statements regarding the accounting for postretirement liabilities. Pan-American Life adopted these statements effective January 1, 2013, and recorded a $6.8 million reduction to its unassigned surplus.

15. Income Taxes

The Mutual Holding Company files a consolidated federal income tax return that includes both its life and non-life insurance subsidiaries. In addition to income taxes currently payable, deferred income taxes are recorded for the differences between the income tax bases of assets and liabilities and the amounts at which they are reported in the consolidated balance sheet. Recorded amounts are adjusted to reflect changes in income tax rates and other income tax law provisions as they are enacted. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. A valuation allowance is recorded to the extent required to reduce the deferred income tax asset to an amount that management expects more likely than not will be realized. Deferred income taxes have not been provided on accumulated but undistributed earnings from operations of certain foreign subsidiaries, as these earnings are considered to be indefinitely reinvested in these subsidiaries.

The following table presents current and deferred income tax expense for the years ended December 31 (in thousands):

	2013	2012
Current federal income tax expense (benefit)	**$ 5,802**	$ (176)
Current foreign income tax (benefit) expense	**(1,195)**	6,595
Deferred federal income tax expense	**4,855**	3,562
Deferred foreign income tax expense	**2,815**	1,379
Total income tax expense	**$ 12,277**	$ 11,360

The following table presents the components of income (loss) from continuing operations before income taxes for the years ended December 31 (in thousands):

	2013	2012
Income (loss) from continuing operations before income taxes:		
Domestic	**$ 3,676**	$ (15,454)
Foreign	**52,447**	47,738
	$ 56,123	$ 32,284

15. Income Taxes (continued)

Presented below are the differences between the U.S. statutory federal income tax rate and the effective U.S. statutory federal income tax rate for the years ended December 31 (dollars in thousands):

	2013		2012	
Federal statutory income tax	**$ 19,643**	**35.00%**	$ 11,300	35.00%
Differences:				
Foreign tax credits	**(3,291)**	**(5.86)**	(3,047)	(9.44)
Permanently reinvested earnings of foreign affiliates	**(5,539)**	**(9.87)**	5,562	17.23
True-up of prior year estimates	**107**	**0.19**	(730)	(2.26)
Noncontrolling interest in hotel partnership	**1,904**	**3.39**	(570)	(1.77)
Tax-exempt income	**(1,099)**	**(1.96)**	(1,163)	(3.60)
Other permanent differences	**552**	**0.98**	8	0.03
Effective income tax	**$ 12,277**	**21.87%**	$ 11,360	35.19%

15. Income Taxes (continued)

Presented below are tax effects of temporary differences that result in deferred income tax assets and liabilities as of December 31 (in thousands):

	2013	2012
Deferred income tax assets		
Employee retirement benefits	**$ 16,750**	$ 27,196
Future policy benefits	**40,185**	23,057
Unrealized losses on investments	**3,057**	4,203
Deferred gains	**923**	1,169
Accrued compensation	**3,267**	1,584
Deferred compensation	**3,076**	2,653
Organizational costs	**2,713**	2,832
Deferred gain on hedge	**1,173**	161
Net operating loss carryforwards	**3,111**	466
Other	**10,695**	2,803
Gross deferred income tax assets	**84,950**	66,124
Deferred income tax liabilities		
Unrealized gains on investments	**57,675**	63,366
Deferred policy acquisition costs	**15,425**	3,728
Unearned revenue liabilities	**3,096**	710
Unremitted earnings of foreign subsidiaries	**24,235**	25,406
Property and equipment	**1,086**	1,247
Reserve method change	**266**	531
Policyholder dividends	**674**	420
Other	**7,066**	145
Gross deferred income tax liabilities	**109,523**	95,553
Net deferred income tax liabilities	**$ (24,573)**	$ (29,429)

At December 31, 2013, U.S. federal deferred income taxes have not been provided on approximately $65,500,000 of accumulated but undistributed earnings from operations of foreign subsidiaries. Such earnings are considered to be indefinitely reinvested in the business. A tax liability of approximately $22,925,000 would be recognized if the Company no longer planned to indefinitely reinvest the earnings or if the Company planned to sell all or a portion of the Company's ownership interest.

15. Income Taxes (continued)

There were no federal income tax refunds received during the years ended December 31, 2013 and 2012. Federal income taxes paid were $11,577,000 and $1,008,000 in 2013 and 2012, respectively. Foreign income taxes paid were $6,849,000 and $4,915,000 in 2013 and 2012, respectively. The Mutual Holding Company and/or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions.

The Company recognized approximately $1,163,000 and $1,249,000 of benefit related to uncertain tax positions in 2013 and 2012, respectively.

Income taxes payable related to uncertain tax positions as included in the consolidated balance sheet are as follows as of December 31 (in thousands):

	2013	2012
Additions based on tax positions related to the current year	**$ –**	$ –
Additions for tax positions of prior years	**155**	158
Reductions for tax positions of prior years	**–**	(164)
Lapse due to expiration of statute of limitations	**(1,318)**	(1,243)
Net change	**(1,163)**	(1,249)
Balance, beginning of year	**7,778**	9,027
Balance, end of year	**$ 6,615**	$ 7,778

If recognized in future periods, all of the unrecognized tax benefits would affect the effective tax rate. Approximately $1,478,000 of tax benefits will possibly be recognized within the next 12 months, due to the expiration of the statute of limitations.

The Company classifies all interest and penalties related to tax uncertainties as income tax expense. For the years ended December 31, 2013 and 2012, the expense for interest and penalties was $155,000 and $158,000, respectively. The Company has recorded $471,000 and $464,000 in liabilities for tax-related interest and penalties on its consolidated balance sheet as of December 31, 2013 and 2012, respectively.

15. Income Taxes (continued)

Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years that produce net operating losses, capital losses, or tax credit carryforwards (tax attributes), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. At December 31, 2013, the Company had federal income tax returns for the 2009 through 2013 tax years still open and subject to adjustment upon examination by taxing authorities.

16. Employee Benefits

The Company utilizes several different employee benefit plans to effectively compensate and retain its employees. The Company has two separate defined benefit pension plans: a noncontributory qualified plan covering U.S. and Puerto Rico branch employees employed prior to January 1, 2004, and a nonqualified senior executive pension plan (SEPP). The hotel partnership in which the Company owns a 66.67% interest also has a noncontributory defined benefit plan covering its employees. The Company also provides certain health and life insurance benefits for retired employees who were hired prior to January 1, 2004, and reach retirement age while working for the Company. A December 31 measurement date is used for all of the subsidiaries' defined benefit pension and other postretirement benefit plans. The Company sponsors separate defined contribution plans that qualify as retirement plans under Internal Revenue Code Section 401(k). One 401(k) plan covers U.S. employees; a second 401(k) plan covers employees of the Company's affiliate in Puerto Rico; and a third 401(k) plan covers employees of the hotel. U.S. executives are also eligible to participate in a deferred compensation plan. In addition to these benefits, the Company also utilizes two performance-based compensation plans: an annual incentive compensation plan, and a long-term incentive compensation plan for its Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents.

In 2007, the Board of Directors of the Company approved a plan to curtail any additional accumulation of service costs for employees participating in the defined benefit plan and the SEPP. This curtailment was effective on October 26, 2007. The Company continues to recognize net periodic pension costs related to benefits accumulated in the plan prior to the curtailment.

16. Employee Benefits (continued)

The projected benefit obligation (PBO) is defined as the actuarially calculated present value of vested and nonvested pension benefits accrued based on future salary levels. The accumulated pension benefit obligation (ABO) is the actuarial present value of vested and nonvested pension benefits accrued based on current salary levels. Both the PBO and ABO are determined using a variety of actuarial assumptions, from which actual results may vary, as described below. Due to the curtailment of the plans, the PBO is equivalent to the ABO.

The expected postretirement plan benefit obligations (EPBO) represent the actuarial present value of all other postretirement benefits expected to be paid after retirement to employees and their dependents. The EPBO is not recorded in the consolidated financial statements but is used in measuring the periodic expense. The last year the Company allowed new participants into the postretirement plan was 2004. The accumulated postretirement plan benefit obligations (APBO), representing the actuarial present value of future other postretirement benefits attributed to employee services rendered through 2004, are the valuation basis upon which liabilities are established. Both the EPBO and APBO are determined using a variety of actuarial assumptions, from which actual results will vary.

The Company recognizes the funded status of the PBO for pension plans and of the APBO for other postretirement plans (collectively, the Benefit Obligations) for each of its plans on the consolidated balance sheet. The actuarial gains or losses, prior service costs and credits, and the remaining net transition asset or obligation that had not yet been included in net periodic benefit cost are charged, net of income tax, to accumulated other comprehensive income.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost or credit arising from the increase or decrease in prior years' benefit costs due to plan amendments or initiation of new plans. These costs related to the postretirement benefits are recognized in net periodic benefit cost as a level amortization over the average expected future service years for active employees whose benefits are affected by such plan amendments. Due to the frozen status of the pension plans, these costs related to pension plans are amortized into net periodic benefit cost based on the remaining life expectancy of those participants instead of their remaining expected future service period. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost

16. Employee Benefits (continued)

for a particular period, thus resulting in gains or losses. To the extent such aggregate gains or losses exceed 10% of the greater of the benefit obligations or the market-related asset value of the plans, they are amortized into net periodic benefit cost over the average remaining life expectancy of members expected to receive benefits under the plans.

The obligations and expenses associated with these plans require an extensive use of assumptions, such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, and health care cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates, and mortality. Management determines these assumptions based upon a variety of factors, such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

The following table summarizes the income statement expense for employee benefits for the years ended December 31 (in thousands):

	2013	2012
Benefit		
Incentive compensation plans	**$ 7,819**	$ 6,317
Defined benefit plans, excluding hotel	**669**	1,604
Defined contribution plans, excluding hotel	**1,826**	1,511
Other postretirement benefits plan	**920**	915
Deferred compensation plans	**681**	515
Hotel defined benefit plan	**245**	157
Hotel defined contribution plan	**8**	126

16. Employee Benefits (continued)

Incentive Compensation Plans – The Company has an annual performance-based incentive plan for its executive-level employees. Awards under the plan are contingent upon the attainment of certain predetermined company goals and are subject to the approval of the Board of Directors of the Company. The Company also has a performance-based long-term incentive plan for its Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents. Awards under this plan are contingent upon the attainment of certain predetermined company goals over a three-year period and are subject to the approval of the Board of Directors. Compensation expense for the annual performance-based incentive plan was $3,848,000 and $4,166,000 in 2013 and 2012, respectively. Compensation expense for the performance-based long-term plan was $3,971,000 and $2,151,000 in 2013 and 2012, respectively.

Defined Benefit Plans – The Company sponsors a noncontributory qualified defined benefit plan covering U.S. employees and Puerto Rico branch employees employed prior to January 1, 2004. The benefits are based on years of service and the employee's highest 36 consecutive months of pay within a 10-year period.

Additionally, the Company sponsors a nonqualified SEPP, which provides benefits to employees who are participants in the defined benefit plan and whose salaries exceed the qualified Internal Revenue Service limits. There are no assets separately designated for the SEPP. Similarly, there are no assets separately designated for the Latin American Plan.

As noted earlier, the Company had previously curtailed any additional accumulation of service costs for employees participating in the above defined benefit plans.

Defined Contribution Plans – The Company sponsors a contributory tax-deferred defined contribution plan in which the Company makes a discretionary match to employee contributions. Prior to January 1, 2008, for employees hired prior to January 1, 2004, the Company matched 50% of the employees' first 3% of salary deferrals, and these employees were immediately 100% vested in matching contributions. Effective January 1, 2008, the Company changed the amount that the Company will match for employees hired prior to January 1, 2004, to 100% of the first 6% of salary deferrals, with the employee being immediately vested in 100% of the matching contributions. For employees hired on January 1, 2004, or later, the Company will match 100% of the first 6% of salary deferrals. These employees are subject to a five-year vesting schedule. The Company's contributions to the plan, net of forfeited nonvested amounts, were approximately $1,452,000 and $1,374,000 in 2013 and 2012, respectively.

16. Employee Benefits (continued)

The businesses acquired by the Company (see Note 2) also sponsor defined contribution plans. Total contributions to these plans were approximately $374,000 and $137,000 in 2013 and 2012, respectively.

Other Postretirement Benefits – The Company provides certain health and life insurance benefits for retired employees. U.S. employees employed before January 1, 2004, may become eligible for these benefits if they reach retirement age and meet service requirements while working for the Company. The Company has no assets separately designated for this plan.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Prescription Act) includes changes to Medicare Part D that could affect the measurement of the APBO and net periodic postretirement cost for the plan. The Company has concluded that the plan's prescription drug benefit is expected to be actuarially equivalent to the Medicare Part D prescription drug benefit.

The Company's gross benefits payments for 2013 and 2012 were $1,733,000 and $1,654,000, respectively, including the prescription drug benefit. The Company's subsidy (net of collection costs) related to the Medicare Prescription Act was $50,000 for 2013 and 2012, and the Company's estimates of future subsidies are $38,000 and $40,000 in 2014 and 2015, respectively. The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, has eliminated the tax-free aspect of the subsidy beginning in 2013.

Deferred Compensation Plans – Prior to January 1, 2008, the Company had two deferred compensation plans available to its U.S. executives. The first program involved the option to defer annual salary increases. The second program allowed for a maximum of 12.5% of annual salary to be deferred. Interest was credited on these accounts. Both the plans and the interest on the plans were recorded in other liabilities on the consolidated balance sheet. Retirees and terminated executives remained in these original plans and continue to earn interest on the balance. The amount of salary deferred and on deposit with the Company as of December 31, 2013 and 2012, was $20,000. The amount of interest payable as of December 31, 2013 and 2012, was $156,000 and $153,000, respectively. The interest expense was $3,000 in 2013 and 2012.

16. Employee Benefits (continued)

Effective January 1, 2008, the two plans were merged into a single plan for currently employed U.S. executives. Under the amended and restated plan, currently employed U.S. executives can defer up to a maximum of 50% of their base salary and 100% of their annual and long-term incentive compensation bonuses. The amended plan is funded by purchasing company-owned variable universal life policies issued by an unaffiliated insurer. The amount owed to the participants of the plan at 2013 was $8,613,000, offset by the policies' cash value of $6,672,000. An expense of $681,000 was recognized in 2013 as a result of funding the plan. The amount owed to the participants of the plan at 2012 was $7,396,000, offset by the policies' cash value of $6,145,000. An expense of $512,000 was recognized in 2012 as a result of funding the plan.

Hotel Partnership Employee Benefit Plan – The hotel has a thrift profit-sharing plan that qualifies as a retirement plan under Internal Revenue Code Section 401(k). The plan covers qualified employees meeting certain minimum age and length-of-service requirements. The plan requires the hotel to match 50% of the participating employee's contribution, up to a maximum of 4% of the employee's salary. Hotel contributions to the plan for the years ended December 31, 2013 and 2012, were $8,000 and $126,000, respectively.

Hotel Partnership Defined Benefit Plan – The hotel also has a defined benefit pension plan covering substantially all employees who met certain minimum age and length-of-service requirements. The plan is noncontributory and provides monthly payments for life following retirement, normally at age 65. Benefits are determined by a formula based on years of service and the employee's compensation during the final years of employment. The hotel's funding policy is to contribute annually the minimum required by the Employee Retirement Income Security Act of 1974, plus additional amounts at the discretion of management.

As of December 31, 1998, the plan was amended such that no additional employees will be eligible to participate in the plan. Each participant's accrued benefit under the plan was frozen and will not be increased, and no participant will be credited with additional years of service.

As part of the sale of the hotel in 2013 (Note 17), a process to settle the hotel's pension plan was initiated. The cost of the settlement will be recognized as the amount of cash paid to plan participants. It is expected that $4,100,000 will be paid to the participants in 2014 to settle the plan. The plan's settlement is subject to approval by the Internal Revenue Service, which is expected to occur in 2014. Due to the pending settlement, the plan was included in discontinued operations at December 31, 2013.

16. Employee Benefits (continued)

The projected benefit obligation of the plan was $4,081,000 and $4,378,000 at December 31, 2013 and 2012, respectively. The plan assets were $2,661,000 and $3,155,000 and the underfunded status was $(1,420,000) and $(1,224,000) at December 31, 2013 and 2012, respectively. Amounts included in accumulated other comprehensive income not yet recognized as a component of net periodic pension cost at December 31, 2013 and 2012 were $(2,322,427) and $(2,288,977), respectively. These amounts will be recognized in net income at the time of plan settlement.

The hotel partnership recognized net periodic pension costs for the years ended December 31, 2013 and 2012, related to benefits and assets accumulated in the plan prior to the freeze. Net periodic pension cost was $245,000 and $157,000 in 2013 and 2012, respectively. No contributions were made in 2013 or 2012, and the hotel partnership does not expect to make a contribution to the plan in 2014.

Incentive Plan – Effective October 1, 2008, Pan-American Life Group established the 2008 Omnibus Incentive Plan (Incentive Plan) as an incentive compensation plan to reward key members of management, directors, and consultants. The Incentive Plan permits the granting of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and other awards as defined in the plan agreement to selected participants. Since inception, there have been grants of nonqualified stock options under the Incentive Plan to select participants. Compensation cost will begin to be recorded over the service period commencing when the triggering event becomes probable of occurrence. As of December 31, 2013, and the date of issuance of these financial statements, no triggering events were considered probable of occurring by management.

16. Employee Benefits (continued)

The following table provides a summary of activity as of December 31, 2013, and changes for the year then ended.

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	6,764,250	$ 4.16		
Granted during the year	173,750	6.94		
Exercised or converted	–	–		
Forfeited during the year	(196,250)	4.57		
Expired during the year	–	–		
Outstanding at December 31, 2013	6,741,750	4.22	5.45	$ 18,350,000
Exercisable at December 31, 2013	–	$ –	–	$ –

There were no nonvested stock options as of December 31, 2013 or 2012.

16. Employee Benefits (continued)

A summary of pension obligations, assets, net periodic pension benefit costs, and significant weighted-average assumptions on a combined basis for the defined benefit plans (excluding the hotel plan) and the other postretirement benefit plans for the years ended December 31 is as follows (dollars in thousands):

	Pension Benefits		Other Benefits	
	2013	**2012**	**2013**	**2012**
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 144,731**	$ 124,815	**$ 30,966**	$ 27,951
Service cost	**–**	–	**294**	265
Interest cost	**6,353**	6,786	**1,111**	1,135
Actuarial (gain) loss	**(9,361)**	20,051	**(1,699)**	3,269
Benefits paid	**(7,293)**	(6,921)	**(1,733)**	(1,654)
Benefit obligation at end of year	**$ 134,430**	$ 144,731	**$ 28,939**	$ 30,966
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 103,090**	$ 89,174	**$ –**	$ –
Actual return on assets	**17,785**	12,809	**–**	–
Employer contributions	**6,111**	8,028	**1,733**	1,654
Benefits paid	**(7,293)**	(6,921)	**(1,733)**	(1,654)
Fair value of plan assets at end of year	**$ 119,693**	$ 103,090	**$ –**	$ –
Funded status of plan (underfunded)	**$ (14,737)**	$ (41,641)	**$ (28,939)**	$ (30,966)
Periodic benefit cost				
Service cost	**$ –**	$ –	**$ 294**	$ 265
Interest cost	**6,353**	6,786	**1,111**	1,135
Expected return on assets	**(7,681)**	(6,639)	**–**	–
Net amortization and deferral	**1,997**	1,457	**(485)**	(485)
Net periodic cost	**$ 669**	$ 1,604	**$ 920**	$ 915
Weighted-average assumptions				
Discount rate – periodic cost	**4.50%**	5.65%	**3.70%**	4.20%
Discount rate – obligation	**5.15%**	4.50%	**4.50%**	3.70%
Expected return on plan assets	**7.75%**	7.75%	**N/A**	N/A
Expected increase in compensation	**N/A**	N/A	**3.50%**	3.50%

16. Employee Benefits (continued)

Amounts included in accumulated other comprehensive income not yet recognized as a component of net periodic pension cost as of December 31 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2013	**2012**	**2013**	**2012**
Unrecognized net actuarial loss	**$ (40,229)**	$ (61,691)	**$ (805)**	$ (2,504)
Unrecognized prior service cost	**–**	–	**7,521**	8,550
Unrecognized transition obligation	**–**	–	**(3,805)**	(4,348)
Total recognized in accumulated other comprehensive income	**$ (40,229)**	$ (61,691)	**$ 2,911**	$ 1,698

Amounts included in accumulated other comprehensive income at December 31, 2013, that are expected to be amortized into net periodic postretirement costs during 2014 follow (in thousands): $1,170,000 in pension benefits (from unrecognized net actuarial loss) and $486,000 in other benefits ($1,030,000 in unrecognized prior service cost net of $(544,000) in unrecognized transition obligation).

The assumptions used in determining the actuarial present value of the projected benefit obligations and net periodic benefit costs for the other postretirement benefits for the years ended December 31 are as follows:

	2013	2012
Health care cost trend for next year	**8.00%**	8.00%
Annual rate decrease	**0.75**	0.75
Ultimate health care cost trend rate	**5.00**	5.00
Year that the rate reaches ultimate rate	**2019**	2018

The effects of a one-percentage-point increase and a one-percentage-point decrease in the assumed health care cost trend rates, as of December 31, 2013, are as follows (in thousands):

	1% Increase	1% Decrease
Total of service cost and interest cost components	$ 15	$ (17)
Accumulated postretirement benefit obligation	308	(323)

16. Employee Benefits (continued)

The Company's qualified defined benefit plan invests in a diversified mix of traditional asset classes. Assets comprise investments in equity and fixed-income mutual funds. The investments are made to maximize long-term returns while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is evaluated by understanding the pension plan's liability characteristics. Equity investments are used primarily to increase overall plan total returns and to fund longer-duration liabilities. Fixed-income investments provide diversification of assets and current cash payments to retirees.

Periodically, asset allocations and investment performance are formally reviewed as required by the Company's Pension Administration Committee. The expected long-term rate of return is estimated based on many factors, including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

The defined benefit pension plan asset allocation as of the measurement date (December 31) and the target asset allocation, presented as a percentage of total plan assets, were as follows at December 31:

	Target Allocation	**2013**	**2012**
Fixed maturity securities	30%–60%	**43%**	39%
Equity securities	40%–70%	**57**	61
Total		**100%**	100%

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy are described in Note 20.

16. Employee Benefits (continued)

The estimated fair values of financial instruments classified as Level 3 assets have been determined by using available market information and by applying valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Estimated fair values may not be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The methods and assumptions discussed below were used in calculating the estimated fair values of the instruments.

Mutual funds – Mutual funds are valued at the net asset value of shares held by the plan at year-end based on quoted market prices.

Pooled separate account – Fair value represents the net asset value of the underlying assets. Pooled separate accounts are classified as Level 3 assets if they are subject to withdrawal limitations.

Corporate debentures – Corporate debentures are classified within Level 2 of the fair value hierarchy and are valued using evaluated bids based on internal models used by an independent pricing service.

Preferred stocks – Preferred stocks, which are classified within Level 2 of the fair value hierarchy and are valued based on last trade or bid prices based on an over-the-counter exchange.

Guaranteed interest contracts – For defined benefit investment contracts, fair value represents the amount that plan sponsors would receive if they withdrew retirement funds at the reporting date, which is the book value adjusted to recognize the rates of interest available in the marketplace for similar investments.

16. Employee Benefits (continued)

The following fair value hierarchy table presents information about the defined benefit pension assets measured at fair value on a recurring basis as of December 31 (in thousands):

	2013	2012
Level 1		
Mutual funds:		
Equity securities	**$ 17,944**	$ 11,839
Fixed maturity securities	**40,567**	24,844
Total Level 1	**$ 58,511**	$ 36,683
Level 2		
Separate accounts:		
Fixed maturity securities	**$ 11,138**	$ 15,482
Equity securities	**48,074**	48,983
Preferred stocks	**1,970**	1,942
Total Level 2	**$ 61,182**	$ 66,407

During 2012, the Company transferred $4,015,000 of Level 3 assets to Level 2 after a withdrawal limitation restriction ended on the underlying assets.

It is the Company's general practice to make contributions to the plan at least quarterly in an amount that will satisfy minimum requirements under applicable law. The Company may, at its discretion, make additional contributions to the extent they are deductible for federal income tax purposes. The Company currently expects to make discretionary contributions of $3.3 million in 2014.

16. Employee Benefits (continued)

As of December 31, 2013, the estimated benefits expected to be paid in each of the next five years and the aggregate of the four years following are in the table below (in thousands). These estimates are based on the same assumptions used to measure the Company's benefit obligations at the end of 2013 and include benefits attributable to estimated future employee service.

	Pension Benefits	Other Benefits	Medicare Part D Subsidies
2014	$ 7,510	$ 1,940	$ 38
2015	7,620	1,950	40
2016	7,870	1,990	43
2017	8,020	1,960	44
2018	8,350	1,980	45
2019–2023	44,740	9,510	230

17. Discontinued Operations

The property and equipment, as well as certain other assets and liabilities, related to the hotel were sold on January 23, 2013. The property and equipment, and other assets related to the hotel partnership, were presented as assets related to discontinued operations. The hotel partnership's line of credit and other liabilities related to the hotel partnership were presented as liabilities related to discontinued operations, and the income related to the hotel's operations is presented as income from discontinued operations. Due to the pending settlement of the hotel's pension plan, the liabilities related to the plan were included as discontinued operations for 2013.

17. Discontinued Operations (continued)

Assets and liabilities related to discontinued operations at December 31 comprise the following (in thousands):

	2013	2012
Property and equipment	**$ –**	$ 25,819
Other assets	–	1,663
Total assets related to discontinued operations	**$ –**	$ 27,482
Notes payable	**$ –**	$ 795
Deferred income taxes	–	417
Other liabilities	**1,521**	3,448
Total liabilities related to discontinued operations	**$ 1,521**	$ 4,660

Balances in property and equipment as of December 31, 2012, are as follows (in thousands):

Buildings	$ 76,767
Furniture and equipment	12,436
Leasehold interest in land	8,556
Total hotel property and equipment	97,759
Less depreciation and amortization	(71,940)
Total	$ 25,819

Depreciation of hotel property and equipment was discontinued at the beginning of 2011 in accordance with accounting guidance for discontinued operations.

On January 23, 2013, the hotel partnership in which the Company owns a two-thirds interest sold the hotel it operated to a third party for approximately $53.8 million. The majority of the proceeds from the sale of the hotel were distributed to the partners. The Company, in conjunction with the sale, sold the land on which the hotel was built to the same third party for $4.7 million. The Company recognized a pre-tax gain of approximately $32.4 million on the sale of the hotel and the land.

17. Discontinued Operations (continued)

Hotel Partnership Line of Credit – The hotel partnership's line of credit agreement was repaid and terminated as a result of the hotel's sale. The line of credit's interest rate was 1.41% at December 31, 2012. The line of credit balance as of December 31, 2012 was $795,000. The hotel partnership did not incur any interest expense during 2013 and incurred $65,000 for the year ended December 31, 2012.

Income from discontinued operations at December 31 comprises the following (in thousands):

	2013	2012
Hotel revenues	**$ 1,679**	$ 27,425
Hotel expenses	**(2,409)**	(23,388)
Gain on disposal of hotel	**32,402**	–
	31,672	4,037
Income tax expense	**7,390**	964
Income from discontinued operations, net of tax	**$ 24,282**	$ 3,073

18. Comprehensive Income

Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes the unrealized investment gains or losses on securities available for sale, net of reclassification adjustments for realized investment gains or losses, adjustments to DPAC, and policyholder account balances. In addition, other comprehensive income includes the unrecognized pension and other benefit liabilities. Other comprehensive income also includes deferred income taxes and foreign currency translation gains and losses related to the Company's foreign operations on these items.

18. Comprehensive Income (continued)

The pre-tax, tax, and after-tax effects of the components of other comprehensive income (loss) for the years ended December 31, 2013 and 2012, are as follows (in thousands):

	2013			**2012**		
	Pre-Tax Amount	**Tax Benefit**	**After-Tax Amount**	**Pre-Tax Amount**	**Tax (Expense) Benefit**	**After-Tax Amount**
Net unrealized (losses) gains on investments	**$ (45,737)**	**$ 2,299**	**$ (43,438)**	$ 42,906	$ (10,322)	$ 32,584
Net unrealized losses on derivatives	**(266)**	**–**	**(266)**	–	–	–
Defined benefit pension plans	**22,675**	**4,440**	**27,115**	(16,403)	4,635	(11,768)
Foreign currency translation adjustment	**558**	**–**	**558**	(439)	–	(439)
Other comprehensive (loss) income	**$ (22,770)**	**$ 6,739**	**$ (16,031)**	$ 26,064	$ (5,687)	$ 20,377

Balances of related after-tax components comprising accumulated other comprehensive income, net of noncontrolling interests, are as follows (in thousands):

	Net Unrealized Gains (Losses) on Investments	**Net Unrealized Losses on Derivatives**	**Defined Benefit Pension Plans**	**Foreign Currency Translation Adjustment**	**Total**
Balance at December 31, 2011	$ 63,923	$ –	$ (30,316)	$ (11,841)	$ 21,766
Current period other comprehensive income (loss)	30,029	–	(11,768)	(439)	17,822
Balance at December 31, 2012	93,952	–	(42,084)	(12,280)	39,588
Current period other comprehensive (loss) income	(45,451)	(266)	27,115	558	(18,044)
Purchase of additional shares of subsidiary	4,188	–	–	563	4,751
Net current period other comprehensive (loss) income	(41,263)	(266)	27,115	1,121	(13,293)
Balance at December 31, 2013	$ 52,689	$ (266)	$ (14,969)	$ (11,159)	$ 26,295

19. Noncontrolling Interest

Noncontrolling interest represents the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The Company recognizes noncontrolling interests in the discontinued hotel partnership (see Note 17) and its subsidiary in Trinidad and Tobago. The portion of net income attributable to noncontrolling interests for such subsidiaries is presented as net income (loss) attributable to noncontrolling interest on the consolidated statement of comprehensive income, and the portion of equity of such subsidiaries is presented as noncontrolling interest on the consolidated balance sheet.

During 2013, the Company purchased a number of shares of its Trinidad and Tobago subsidiary from noncontrolling shareholders. The value of the noncontrolling interest was decreased by the proportional value of equity acquired by the Company at the date of purchase. The balances of and changes in noncontrolling interest as of December 31, and for the years then ended, are as follows (in thousands):

	Year Ended December 31	
	2013	**2012**
Hotel partnership:		
Noncontrolling interest at beginning of year	**$ 7,073**	$ 6,413
Income from continuing operations attributable to noncontrolling interest	**–**	(52)
Income from discontinued operations attributable to noncontrolling interest	**10,817**	788
Other comprehensive income (loss) attributable to noncontrolling interest	**22**	(76)
Distribution to partners	**(17,150)**	–
Noncontrolling interest at end of year	**762**	7,073
Trinidad and Tobago subsidiary:		
Noncontrolling interest at beginning of year	**7,357**	–
Fair value of noncontrolling interest in acquired business	**–**	5,383
Purchase of noncontrolling interest shares	**(8,086)**	–
Net loss attributable to noncontrolling interest	**(182)**	(657)
Other comprehensive income attributable to noncontrolling interest	**1,991**	2,631
Noncontrolling interest at end of year	**1,080**	7,357
Total noncontrolling interest at end of year	**$ 1,842**	$ 14,430

20. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data, correlation, or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The estimated fair values of financial instruments have been determined by using available market information and by applying appropriate valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Estimated fair values may not be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The methods and assumptions discussed below were used in calculating the estimated fair values of the financial instruments.

20. Fair Value of Financial Instruments (continued)

Recurring Fair Value Measurements

The following fair value hierarchy tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31 (in thousands):

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Fixed maturity securities, available for sale:				
U.S. Treasury securities and obligations of U.S. government	$ 5,671	$ 2,337	$ –	$ 8,008
Obligations of foreign governments	–	525,959	–	525,959
Obligations of U.S. states and municipalities	–	52,768	–	52,768
Corporate obligations	–	1,372,436	94,361	1,466,797
Residential mortgage-backed securities	–	136,183	–	136,183
Commercial mortgage-backed securities	–	17,300	7,773	25,073
Other asset-backed securities	–	23,125	13,023	36,148
Redeemable preferred stocks	–	3,243	5,275	8,518
Total fixed maturity securities, available for sale	5,671	2,133,351	120,432	2,259,454
Equity securities, available for sale:				
Domestic financial services	20,359	1,600	–	21,959
Domestic utilities	12,254	–	–	12,254
International financial services	–	934	1	935
International industrial	637	101	–	738
International utilities	130	2	–	132
Total equity securities, available for sale	33,380	2,637	1	36,018
Other financial instruments:				
Short-term investments	–	31,805	–	31,805
Cash equivalents	35,678	27,759	–	63,437
Derivative assets	–	6,943	–	6,943
Total other invested assets	35,678	66,507	–	102,185
Total assets	$ 74,729	$ 2,202,495	$ 120,433	$ 2,397,657
Liabilities				
Derivative liabilities	$ –	$ 266	$ –	$ 266

20. Fair Value of Financial Instruments (continued)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Fixed maturity securities, available for sale:				
U.S. Treasury securities and obligations of U.S. government	$ 6,167	$ 614	$ –	$ 6,781
Obligations of foreign governments	–	534,554	–	534,554
Obligations of U.S. states and municipalities	–	49,320	–	49,320
Corporate obligations	–	1,363,563	65,241	1,428,804
Residential mortgage-backed securities	–	155,970	–	155,970
Commercial mortgage-backed securities	–	8,926	8,531	17,457
Other asset-backed securities	–	28,217	14,560	42,777
Redeemable preferred stocks	–	3,120	5,052	8,172
Total fixed maturity securities, available for sale	6,167	2,144,284	93,384	2,243,835
Equity securities, available for sale:				
Domestic financial services	9,422	3,594	–	13,016
Domestic industrial	–	4,456	–	4,456
Domestic utilities	12,591	–	–	12,591
International financial services	202	796	23	1,021
International industrial	920	317	–	1,237
International utilities	128	2	–	130
Total equity securities, available for sale	23,263	9,165	23	32,451
Other financial instruments:				
Cash equivalents	258	65,607	–	65,865
Total other invested assets	258	65,607	–	65,865
Total assets	$ 29,688	$ 2,219,056	$ 93,407	$ 2,342,151

There were no transfers between hierarchy levels during 2013 or 2012.

20. Fair Value of Financial Instruments (continued)

The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31 are summarized in the table below, to which certain revisions have been made to the prior year balances to conform to the current year presentation (in thousands):

	Corporate Obligations		Residential Mortgage-Backed Securities		Commercial Mortgage-Backed Securities	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Balance at beginning of year	**$ 65,241**	$ 57,870	**$ –**	$ 19	**$ 8,531**	$ 3,955
Purchases	**37,142**	13,500	**–**	–	**503**	5,000
Disposals	**(5,236)**	(6,429)	**–**	(14)	**(915)**	(688)
Accretion of premium	**(4)**	(3)	**–**	–	**141**	96
Realized gains (losses)	**79**	(1,743)	**–**	(5)	**–**	–
Unrealized (losses) gains	**(2,861)**	2,046	**–**	–	**(487)**	168
Balance at end of year	**$ 94,361**	$ 65,241	**$ –**	$ –	**$ 7,773**	$ 8,531

	Other Asset-Backed Securities		Redeemable Preferred Stocks		International Financial Services Equity Securities	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Balance at beginning of year	**$ 14,560**	$ 9,584	**$ 5,052**	$ 5,582	**$ 23**	$ –
Purchases	**–**	4,997	**–**	–	**–**	24
Disposals	**(361)**	(441)	**–**	–	**–**	–
Accretion of premium	**(7)**	(11)	**–**	–	**–**	–
Unrealized (losses) gains	**(1,169)**	431	**223**	(530)	**(22)**	(1)
Balance at end of year	**$ 13,023**	$ 14,560	**$ 5,275**	$ 5,052	**$ 1**	$ 23

Realized gains or losses are included within net realized investment gains in the Company's consolidated statement of comprehensive income. Unrealized gains or losses are included within unrealized gains on investments in the Company's consolidated statement of comprehensive income.

20. Fair Value of Financial Instruments (continued)

The following table presents quantitative information about the significant unobservable inputs of fair value measurements categorized as Level 3 as of December 31, 2013 (fair value in thousands):

	Fair Value as of December 31, 2013	Valuation Technique(s)	Significant Unobservable Input	Range	Weighted Average
Corporate obligations	$ 94,361	External pricing sources	Quoted prices[1]	$99–$116	$106
		Broker quotations	Quoted prices[1]	$89–$108	$100
Commercial mortgage-backed securities	7,773	Broker quotations	Quoted prices[1]	$88–$91	$90
Other asset-backed securities	13,023	External pricing sources	Quoted prices[1]	$117	–
		Broker quotations	Quoted prices[1]	$82–$103	$94
Redeemable preferred stocks	5,275	External pricing sources	Quoted prices	$26	–
International financial services equity securities	1	External pricing sources	Quoted prices	$0.24–$100	$86

[1]For this unobservable input, value is presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

20. Fair Value of Financial Instruments (continued)

The following table presents quantitative information about the significant unobservable inputs of fair value measurements categorized as Level 3 as of December 31, 2012 (fair value in thousands):

	Fair Value as of December 31, 2012	Valuation Technique(s)	Significant Unobservable Input	Range	Weighted Average
Corporate obligations	$ 65,241	External pricing sources	Quoted prices[1]	$100–$126	$114
		Broker quotations	Quoted prices[1]	$97–$116	$105
Commercial mortgage-backed securities	8,531	Broker quotations	Quoted prices[1]	$87	-
Other asset-backed securities	14,560	External pricing sources	Quoted prices[1]	$128	-
		Broker quotations	Quoted prices[1]	$97	-
Redeemable preferred stocks	5,052	External pricing sources	Quoted prices	$25	-
International financial services equity securities	23	External pricing sources	Quoted prices	$0.24–$100	$86

[1]For this unobservable input, value is presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

20. Fair Value of Financial Instruments (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following table presents the fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value, as of December 31 (in thousands):

	2013		2012	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Investments				
Mortgage loans	**$ 6,195**	**$ 6,195**	$ 5,760	$ 5,760
Policy loans	**131,870**	**131,870**	133,165	133,165
Joint venture and limited partnerships	**34,292**	**39,038**	36,661	39,710
Liabilities				
Notes payable	**50,223**	**50,223**	50,361	50,361

The carrying amounts for policy loans, as reported in the accompanying consolidated balance sheet, approximate their fair values. Fair values for mortgage loans were equivalent to the unpaid balances of the loans. Fair values for mortgage loans are capped due to the possibility of prepayment at par at any time. Fair values for joint ventures or limited partnerships are based on fair value calculations for the underlying securities provided by the manager of the limited partnerships or joint venture. Pricing for the underlying securities involves unobservable inputs and significant judgment or estimation.

All of the Company's notes payable had a carrying value that approximated their fair value. The Company's other liabilities are generally short-term in nature, and their carrying value approximates their fair value.

21. Other Commitments and Contingent Liabilities

Litigation – In the ordinary course of business, the Company is involved in litigation with respect to claims arising with regard to insurance coverage that are taken into account in establishing benefit reserves. In certain of these matters, large or indeterminate amounts are sought. In the opinion of company management, any ultimate liability that could result from such normal and routine litigation would not have a material effect on the Company's consolidated financial statements.

21. Other Commitments and Contingent Liabilities (continued)

The Company is subject to various indemnification obligations issued in conjunction with certain transactions, primarily assumption reinsurance agreements, stock purchase agreements, mortgage servicing agreements, construction and lease guarantees, and borrowing agreements whose terms range in duration and often are not explicitly defined. Generally, a maximum obligation is not explicitly stated; therefore, the overall maximum amount of the obligation under the indemnifications cannot be reasonably estimated. While the Company is unable to estimate with certainty the ultimate legal and financial liability with respect to these indemnifications, management believes the likelihood is remote that material payments would be required under such indemnifications, and therefore such indemnifications would not result in a material adverse effect on the Company's consolidated financial statements.

22. Supplementary Data on Cash Flows

A reconciliation of income from continuing operations to net cash provided by continuing operating activities as presented in the consolidated statement of cash flows is as follows for the years ended December 31 (in thousands):

	2013	2012
Net income	**$ 68,128**	$ 20,924
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment losses (gains)	**226**	(5,069)
Net accretion of investment discount	**2,505**	2,168
Amortization of hedge gain on surplus notes	**(138)**	(146)
Amortization of intangible assets	**2,065**	1,258
Depreciation of property, equipment, and investments in real estate	**2,527**	4,178
Deferred income taxes	**(4,856)**	7,202
Deferred policy acquisition costs and value of business acquired	**(11,424)**	(10,104)
Accrued investment income	**(10,179)**	631
Amounts recoverable from reinsurers	**(959)**	3,441
Premiums and fees receivable	**(1,853)**	(6,238)
Federal income taxes recoverable and payable	**(4,096)**	(2,267)
Other assets	**(7,738)**	(3,151)
Future policy benefits and policy and contract claims	**10,093**	21,839
Other liabilities	**(1,561)**	(7,897)
Discontinued operations	**(28,997)**	1,558
Net cash provided by operating activities	**$ 13,743**	$ 28,327

Supplementary Information

Pan-American Life Mutual Holding Company

Consolidating Balance Sheet

December 31, 2013

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
		(In Thousands)		
Assets				
Fixed maturity securities, available for sale at fair value	$ –	$ 2,259,454	$ –	$ 2,259,454
Equity securities, available for sale at fair value	–	36,018	–	36,018
Investment in subsidiary	608,713	–	(608,713)	–
Policy loans	–	131,870	–	131,870
Joint ventures and limited partnerships	–	34,292	–	34,292
Investments in real estate	–	15,940	–	15,940
Mortgage loans on real estate	–	6,195	–	6,195
Short-term investments	–	31,805	–	31,805
Total investments	608,713	2,515,574	(608,713)	2,515,574
Cash and cash equivalents	239	163,794	–	164,033
Accrued investment income	–	30,940	–	30,940
Amounts recoverable from reinsurers	–	85,550	–	85,550
Premiums and fees receivable	–	26,383	–	26,383
Federal and foreign income taxes recoverable	–	9,325	–	9,325
Deferred policy acquisition costs	–	137,159	–	137,159
Value of business acquired	–	8,764	–	8,764
Property and equipment	–	41,683	–	41,683
Goodwill and other intangible assets	–	10,111	–	10,111
Other assets of continuing operations	–	59,312	–	59,312
Total assets	$ 608,952	$ 3,088,595	$ (608,713)	$ 3,088,834
Liabilities and equity				
Policyholder account balances and other policyholder funds	$ –	$ 1,421,767	$ –	$ 1,421,767
Future policy benefits	–	721,215	–	721,215
Policy and contract claims	–	110,731	–	110,731
Notes payable	–	50,223	–	50,223
Deferred income taxes	(1)	24,574	–	24,573
Accrued employee benefits	–	43,676	–	43,676
Federal and foreign income taxes payable	(3)	12,883	–	12,880
Other liabilities of continuing operations	1	91,450	–	91,451
Liabilities related to discontinued operations	–	1,521	–	1,521
Total liabilities	(3)	2,478,040	–	2,478,037
Common stock	–	500	(500)	–
Retained earnings	582,660	581,918	(581,918)	582,660
Accumulated other comprehensive income	26,295	26,295	(26,295)	26,295
Total equity attributable to Pan-American Life Mutual Holding Company	608,955	608,713	(608,713)	608,955
Noncontrolling interest	–	1,842	–	1,842
Total equity	608,955	610,555	(608,713)	610,797
Total liabilities and equity	$ 608,952	$ 3,088,595	$ (608,713)	$ 3,088,834

Pan-American Life Mutual Holding Company

Consolidating Balance Sheet

December 31, 2012

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
		(In Thousands)		
Assets				
Fixed maturity securities, available for sale at fair value	$ –	$ 2,243,835	$ –	$ 2,243,835
Equity securities, available for sale at fair value	–	32,451	–	32,451
Investment in subsidiary	565,355	–	(565,355)	–
Policy loans	–	133,165	–	133,165
Joint ventures and limited partnerships	–	36,661	–	36,661
Investments in real estate	–	16,828	–	16,828
Mortgage loans on real estate	–	5,760	–	5,760
Total investments	565,355	2,468,700	(565,355)	2,468,700
Cash and cash equivalents	241	197,934	–	198,175
Accrued investment income	–	31,102	–	31,102
Amounts recoverable from reinsurers	–	84,591	–	84,591
Premiums and fees receivable	–	28,049	–	28,049
Federal and foreign income taxes recoverable	–	3,159	–	3,159
Deferred policy acquisition costs	–	93,096	–	93,096
Value of business acquired	–	10,407	–	10,407
Property and equipment	–	36,474	–	36,474
Goodwill and other intangible assets	–	12,176	–	12,176
Other assets of continuing operations	–	44,680	–	44,680
Assets related to discontinued operations	–	27,482	–	27,482
Total assets	$ 565,596	$ 3,037,850	$ (565,355)	$ 3,038,091
Liabilities and equity				
Policyholder account balances and other policyholder funds	$ –	$ 1,359,861	$ –	$ 1,359,861
Future policy benefits	–	727,616	–	727,616
Policy and contract claims	–	111,278	–	111,278
Notes payable	–	50,361	–	50,361
Deferred income taxes	(1)	29,430	–	29,429
Accrued employee benefits	–	72,607	–	72,607
Federal and foreign income taxes payable	(2)	10,812	–	10,810
Other liabilities of continuing operations	1	91,440	–	91,441
Liabilities related to discontinued operations	–	4,660	–	4,660
Total liabilities	(2)	2,458,065	–	2,458,063
Common stock	–	500	(500)	–
Retained earnings	526,010	525,267	(525,267)	526,010
Accumulated other comprehensive income	39,588	39,588	(39,588)	39,588
Total equity attributable to Pan-American Life Mutual Holding Company	565,598	565,355	(565,355)	565,598
Noncontrolling interest	–	14,430	–	14,430
Total equity	565,598	579,785	(565,355)	580,028
Total liabilities and equity	$ 565,596	$ 3,037,850	$ (565,355)	$ 3,038,091

Pan-American Life Mutual Holding Company

Consolidating Statement of Comprehensive Income

Year Ended December 31, 2013

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
		(In Thousands)		
Premiums earned	$ –	$ 411,326	$	$ 411,326
Contract charges	–	100,486	–	100,486
Net investment income	–	133,365	–	133,365
Net realized investment losses	–	(226)	–	(226)
Equity in earnings of subsidiary	57,495	–	(57,495)	–
Other insurance operating revenues	–	8,286	–	8,286
Total revenues	57,495	653,237	(57,495)	653,237
Policyholder benefits and claims	–	313,430	–	313,430
Interest credited to policyholder account balances	–	56,975	–	56,975
Amortization of deferred policy acquisition costs and VOBA	–	14,652	–	14,652
Underwriting and other insurance operating expenses	4	208,083	–	208,087
Interest expense	–	3,970	–	3,970
Total benefits and expenses	4	597,110	–	597,114
Income before income taxes	57,491	56,127	(57,495)	56,123
Provision for income taxes	(2)	12,279	–	12,277
Income from continuing operations	57,493	43,848	(57,495)	43,846
Income from discontinued operations	–	24,282	–	24,282
Net income	57,493	68,130	(57,495)	68,128
Net income attributable to noncontrolling interest	–	10,635	–	10,635
Net income attributable to Pan-American Life Mutual Holding Company	$ 57,493	$ 57,495	$ (57,495)	$ 57,493
Other comprehensive income (loss):				
Equity in other comprehensive income of subsidiary	$ –	$ –	$ –	$ –
Unrealized losses on investments	–	(43,438)	–	(43,438)
Unrealized losses on derivatives	–	(266)	–	(266)
Change in benefit plan liabilities	–	27,115	–	27,115
Foreign currency translation adjustments	–	558	–	558
Other comprehensive loss	–	(16,031)	–	(16,031)
Other comprehensive income attributable to noncontrolling interest	–	2,013	–	2,013
Other comprehensive loss attributable to Pan-American Life Mutual Holding Company	$ –	$ (18,044)	$ –	$ (18,044)
Comprehensive income	$ 57,493	$ 52,099	$ (57,495)	$ 52,097
Comprehensive income attributable to noncontrolling interest	–	12,648	–	12,648
Comprehensive income attributable to Pan-American Life Mutual Holding Company	$ 57,493	$ 39,451	$ (57,495)	$ 39,449

Pan-American Life Mutual Holding Company

Consolidating Statement of Comprehensive Income

Year Ended December 31, 2012

	Pan-American Life Mutual Holding Company (Unconsolidated)	Pan-American Life Insurance Group (Consolidated)	Consolidation Entries	Pan-American Life Mutual Holding Company (Consolidated)
	(In Thousands)			
Premiums earned	$ –	$ 346,254	$ –	$ 346,254
Contract charges	–	89,070	–	89,070
Net investment income	1	116,193	–	116,194
Net realized investment gains	–	5,069	–	5,069
Equity in earnings of subsidiary	23,921	–	(23,921)	–
Other insurance operating revenues	–	4,777	–	4,777
Total revenues	23,922	561,363	(23,921)	561,364
Policyholder benefits and claims	–	285,917	–	285,917
Interest credited to policyholder account balances	–	48,543	–	48,543
Amortization of deferred policy acquisition costs and VOBA	–	12,866	–	12,866
Underwriting and other insurance operating expenses	5	177,791	–	177,796
Interest expense	–	3,958	–	3,958
Total benefits and expenses	5	529,075	–	529,080
Income before income taxes	23,917	32,288	(23,921)	32,284
Provision for income taxes	(1)	11,361	–	11,360
Income from continuing operations	23,918	20,927	(23,921)	20,924
Income from discontinued operations	–	3,073	–	3,073
Net income	23,918	24,000	(23,921)	23,997
Net income attributable to noncontrolling interest	–	79	–	79
Net income attributable to Pan-American Life Mutual Holding Company	$ 23,918	$ 23,921	$ (23,921)	$ 23,918
Other comprehensive income (loss):				
Equity in other comprehensive income of subsidiary	$ 17,822	$ –	$ (17,822)	$ –
Unrealized gains on investments	–	32,584	–	32,584
Change in benefit plan liabilities	–	(11,768)	–	(11,768)
Foreign currency translation adjustments	–	(439)	–	(439)
Other comprehensive income	17,822	20,377	(17,822)	20,377
Other comprehensive income attributable to noncontrolling interest	–	2,555	–	2,555
Other comprehensive income attributable to Pan-American Life Mutual Holding Company	$ 17,822	$ 17,822	$ (17,822)	$ 17,822
Comprehensive income	$ 41,740	$ 44,377	$ (41,743)	$ 44,374
Comprehensive income attributable to noncontrolling interest	–	2,634	–	2,634
Comprehensive income attributable to Pan-American Life Mutual Holding Company	$ 41,740	$ 41,743	$ (41,743)	$ 41,740

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