

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VERICITY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6311
(Primary Standard Industrial
Classification Code Number)

46-2348863
(I.R.S. Employer
Identification Number)

8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
(312) 379-2397

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

James E. Hohmann
Chief Executive Officer
Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
(312) 379-2397

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

J. Brett Pritchard, Esq.
Locke Lord LLP
111 South Wacker Drive
Chicago, Illinois 60606
(312) 443-0700

John Buchanan, Esq.
Executive Vice President and General Counsel – Vericity,
Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
(312) 379-2397

Wesley R. Kelso, Esq.
Stevens & Lee, P.C.
111 North Sixth Street
Reading, Pennsylvania 19603
(610) 478-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$0.001 per share	20,125,000	\$10.00	\$201,250,000	\$24,391.50

- (1) Includes shares to be offered to eligible members, directors and officers of Members Mutual Holding Company pursuant to Members Mutual’s plan of conversion.
(2) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

PROSPECTUS

Subject to Completion, dated [●], 2019



This is the initial public offering of Vericity, Inc. We are offering up to 20,125,000 shares of our common stock for sale at a price of \$10.00 per share in connection with the conversion of Members Mutual Holding Company, or Members Mutual, from mutual to stock form of organization. Immediately following the conversion, we will acquire all of the newly issued shares of common stock of converted Members Mutual.

We are offering shares of our common stock in a subscription offering and a community offering. The subscription offering will be made to eligible members of Members Mutual, who were the policyholders of Fidelity Life Association, an Illinois life insurance company and indirect subsidiary of Members Mutual, as of July 31, 2018, and to the directors and officers of Members Mutual. The subscription offering will end at 5:00 PM, Central Time, on [●]. Concurrently with the subscription offering and subject to the prior right of subscribers in the subscription offering, shares will be offered in an offering we refer to as the community offering to eligible employees of Members Mutual and to a limited number of other potential investors.

Our ability to complete this offering is subject to two conditions. First, a minimum of 14,875,000 shares of common stock must be sold to complete this offering. Second, Members Mutual's plan of conversion and amended and restated articles of incorporation must be approved by the affirmative vote of at least two-thirds of the votes cast at the special meeting of members to be held on [●]. Until such time as these conditions are satisfied, all funds submitted to purchase shares will be held in escrow with Computershare Trust Company, N.A. If the offering is terminated, purchasers will have their funds promptly returned without interest. A portion of the net offering proceeds may not be invested in our company but may be used to pay a special dividend. All purchasers of stock in this offering who remain stockholders until the ex-dividend date set with respect to the special dividend, if one is declared, would be eligible to receive the special dividend.

In addition, we have entered into an agreement with Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund advised by J.C. Flowers & Co. LLC, under which Apex Holdco, L.P. has agreed to act as the standby purchaser for this offering. If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, and if all of the conditions to the standby purchaser's purchase commitment have been satisfied, the standby purchaser will be obligated to purchase enough shares to guarantee the sale of 14,875,000 shares in the offerings, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings. Under our agreement with the standby purchaser, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors. We refer to the offering of shares to the standby purchaser as the standby offering, and to the subscription offering, the community offering, and the standby offering as the offerings.

In fulfilling its standby purchase commitment, the standby purchaser will acquire a majority of our shares issued in the offerings if the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, total fewer than 7,437,500 shares. The directors and officers of Members Mutual have indicated their intention to subscribe for approximately 1,896,375 shares, or approximately 13% of the shares at the offering minimum. Due to the standby purchaser's commitment, the level of sales to eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

The minimum number of shares that a person may subscribe to purchase is 25 shares. The maximum number of shares that a person may subscribe to purchase in the subscription offering is the lesser of 743,750 or the individual maximum purchase limitations described in this prospectus. If orders are received for more shares than shares offered, shares will be allocated in the manner and priority described in this prospectus.

Raymond James & Associates, Inc. will act as our marketing agent and will use its best efforts to assist us in selling our common stock in this offering, but Raymond James is not obligated to purchase any shares of common stock that are being offered for sale. Any commissions paid in connection with the purchase of shares of common stock in this offering will be paid by us from the gross proceeds of the offering.

There is currently no public market for our common stock. Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol "VERY."

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be eligible for reduced public company reporting requirements. See "Summary—Implications of Being an Emerging Growth Company and a Smaller Reporting Company."

Investing in our common stock involves risks. For a discussion of the material risks that you should consider, see "[Risk Factors](#)" beginning on page 13 of this prospectus.

OFFERING SUMMARY Price: \$10.00 per share

	Minimum	Maximum
Number of shares offered	14,875,000	20,125,000
Gross offering proceeds	\$ 148,750,000	\$ 201,250,000
Estimated offering expenses	\$ 8,381,980	\$ 8,381,980
Commissions ⁽¹⁾⁽²⁾	\$ 3,615,388	\$ 2,012,500
Net proceeds	\$ 136,752,633	\$ 190,855,520
Net proceeds per share	\$ 9.19	\$ 9.48

(1) Represents commissions to be paid to Raymond James, based on 1.0% of the proceeds from shares sold in the subscription offering, up to 6.0% of the proceeds from shares sold to other potential investors in the community offering, and 3.0% of the proceeds from the shares sold to the standby purchaser. No commission will be paid on the sale of shares sold to directors, officers and eligible employees. Any shares sold to the standby purchaser in the standby offering will be sold in a private placement to close concurrently with the subscription offering at a price equal to the public offering price in this offering. The shares sold to the standby purchaser in the standby offering are not being registered as part of this offering and will be restricted securities. See "The Conversion and Offering—Marketing Arrangements" for a description of the marketing agent compensation.

(2) Assumes (x) at the offering minimum, 1,500,000 shares are sold in the subscription offering to eligible members and non-executive officers of Members Mutual and in the community offering to eligible employees, 1,772,375 shares are sold in the subscription offering to directors and executive officers of Members Mutual and 11,602,625 shares are sold in the standby offering to the standby purchaser; and (y) at the maximum, that all 20,125,000 shares are sold in the subscription offering to eligible members. We are unable to predict the number of shares the eligible members, eligible employees or other potential investors may subscribe for, and the number of shares the standby purchaser may acquire.

None of the Securities and Exchange Commission, the Illinois Department of Insurance or any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For assistance, please call the Stock Information Center at [1-8-[●]].

Raymond James

The date of this Prospectus is [●]

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CERTAIN IMPORTANT INFORMATION

This Prospectus

You should rely only on the information contained in this prospectus. We have not, and Raymond James has not, authorized any other person to provide information that is different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and Raymond James are offering to sell and seeking offers to buy our common stock only in jurisdictions where such offers and sales are permitted. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our website, or any other website operated by us, is not part of this prospectus.

Frequently Used Terms

Unless the context otherwise requires, as used in this prospectus:

- “accidental death coverage” refers to insurance coverage for a cause of death that does not include illness, suicide in most circumstances, or natural causes;
- “affinity partner” refers to a company with whom we have a marketing relationship to provide agency or insurance product services to that company’s customers, members or sales prospects under its brand or Efinancial’s brand;
- “all-cause” coverage refers to coverage under a life insurance policy that pays the beneficiary of the policy in the event of the death of the insured regardless of the cause of death (except those specifically excluded in the policy). All-cause provides more comprehensive coverage than accidental death coverage, which only covers accidental death;
- “community offering” refers to the offering of shares of Vericity common stock to eligible employees and other potential investors if the number of shares of common stock subscribed for by participants in the subscription offering is less than 20,125,000.
- “the Company,” “we,” “us” and “our” refer to Members Mutual and its consolidated subsidiaries prior to the conversion as described in this prospectus, and to Vericity and its consolidated subsidiaries after the conversion;
- “conversion” refers to a series of transactions by which Members Mutual will convert from mutual to stock form and become a subsidiary of Vericity under the terms of the plan of conversion adopted by the board of directors of Members Mutual;
- “Efinancial” refers to Efinancial, LLC, an insurance agency and indirect subsidiary of Members Mutual;
- “eligible employee” refers to any natural person who is a full or part-time employee of Members Mutual or any of its subsidiaries who meets such eligibility requirements to participate in the Employee Bonus Program as Members Mutual may determine.
- “eligible member” refers to a person who was a member of Members Mutual on July 31, 2018, the date the plan of conversion was adopted by the board of directors of Members Mutual;
- “Employee Bonus Program” refers to the bonus program adopted by Members Mutual in which eligible employees will be provided the opportunity to receive \$1,000 cash or acquire 100 shares of Vericity common stock, in either case together with an additional \$250 cash to help defray taxes payable with respect to the bonus, as part of the community offering, subject to completion of the conversion.
- “Fidelity Life” refers to Fidelity Life Association, an Illinois life insurance company and indirect subsidiary of Members Mutual;
- “member” refers to a person who is the holder of an in-force policy of insurance, or the holder of a master policy under a group insurance policy, issued by Fidelity Life;
- “Members Mutual” refers to Members Mutual Holding Company and its consolidated subsidiaries;
- “mutual form” refers to an insurance company or its holding company organized as a mutual company, which is a form of organization in which the policyholders or members have certain membership rights in the mutual company, such as the right to vote with respect to the election of directors and approval of certain fundamental transactions, including the conversion from mutual to stock form; however, unlike shares held by stockholders, membership rights are not transferable and do not exist separately from the related insurance policy;

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- “offerings” refers to the subscription offering, the community offering and the standby offering;
- “standby offering” refers to the purchase by the standby purchaser of shares of our common stock pursuant to the terms of the standby purchase agreement, as described in this prospectus;
- “standby purchase agreement” refers to the standby stock purchase agreement dated October 5, 2018, as amended and restated on March 26, 2019, by and among Members Mutual, Vericity, Fidelity Life and Apex Holdco L.P., under which Apex Holdco L.P. has agreed to act as the standby purchaser for this offering;
- “standby purchaser” refers to Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund advised by J.C. Flowers & Co. LLC;
- “stock form” is a form of organization in which the only rights that policyholders have are contractual rights under their insurance policies and in which voting rights reside with stockholders under state corporate law;
- “subscription offering” refers to this offering of up to 20,125,000 shares of our common stock under the plan of conversion to eligible members and directors and officers of Members Mutual;
- “subscription rights” refers to the rights to purchase stock in this offering granted to eligible members and directors and officers of Members Mutual under the plan of conversion;
- “term life insurance” refers to a type of life insurance that is pure life insurance that ordinarily does not build up cash value over time. Term life insurance coverage generally lasts for a specified time, generally 5, 10, 15, or 20 years or more, with level premiums over the period; and
- “Vericity” refers to Vericity, Inc., a Delaware corporation formed to be the holding company for Members Mutual upon its conversion from mutual to stock form.

Market And Industry Data

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, publicly available information, reports by market research firms or other published independent sources, none of which has been commissioned by us. Independent industry publications, government publications and other published independent sources generally indicate that the information included therein was obtained from sources believed to be reliable. Some data are based upon good faith estimates derived from our management’s review of the independent sources referenced herein and from experience with partners, licensees and other contacts in the markets in which the Company operates.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Before making a decision to purchase our common stock, you should read the entire prospectus carefully, including the “Risk Factors” and “Forward-Looking Statements” sections and our consolidated financial statements and the notes to those financial statements.

Overview

We provide life insurance protection targeted to the middle American market. We believe there is a substantial unmet need for life insurance, particularly among domestic households with annual incomes of between \$50,000 and \$125,000, a market we refer to as our target Middle Market. We strive to deliver to this market affordable, easy to understand term and whole life insurance products through a consumer-friendly and efficient sales process. Through innovation in product design and distribution that provides access to the Middle Market, including call center and web-enabled sales and underwriting processes, quick issuance of policies and an emphasis on products not medically underwritten at the time of sale, we believe we are well positioned to make life insurance more affordable and accessible to the Middle Market.

We conduct our business through our two operating subsidiaries, Fidelity Life Association, an Illinois-domiciled life insurance company chartered in 1896, and Efinancial, LLC, a call center-based insurance agency. Fidelity Life distributes life insurance products through Efinancial and other unaffiliated agents and is licensed in the District of Columbia and every state except New York and Wyoming. A.M. Best has assigned an “A-” (Excellent) rating to Fidelity Life, which is the fourth highest out of fifteen ratings. Fidelity Life is located in Chicago, Illinois.

Efinancial markets life products for Fidelity Life and, as of December 31, 2018, had agency relationships with 25 unaffiliated insurance companies. Efinancial’s primary operations are conducted through employee agents from two call center locations in Bellevue, Washington and Chicago, Illinois, which we refer to as our retail channel, and through independent agents and other marketing organizations, which we refer to as our wholesale channel. In addition to offering Fidelity Life products, Efinancial also sells insurance products of unaffiliated carriers. Efinancial’s principal office is located in Bellevue, Washington.

We believe our ability to unconditionally issue policies either during or within 24 to 48 hours of the initial call differentiates us from our competitors. Leveraging our patented **RAPID**Decision® sales and underwriting processes, we can sell a life insurance policy to a consumer before medical underwriting is complete. We are able to complete an initial underwriting process for most of our life insurance applicants either during or shortly after the initial call, and if not, within 24 to 48 hours after that initial call. For the year ended December 31, 2018, 88% of our policy applications processed through our **RAPID**Decision® underwriting process received an underwriting disposition on or shortly after the initial sales call. Approximately one-half of the remaining applications received final underwriting decisions within the next 24 to 48 hours.

Our **RAPID**Decision®Life product provides coverage at the point of issue that is a blend of all-cause term life insurance for part of the coverage and accidental death insurance for the remainder of the total face amount. If a policyholder completes medical underwriting after the initial sale of the **RAPID**Decision®Life product, the policy benefits may be improved based on the underwriting results to increase the proportion of all-cause term life insurance coverage, typically with no increase in premium. In some instances, based upon the results of predictive analytic models, the consumer can qualify for the full amount of all-cause coverage without medical testing.

For the years ended December 31, 2018 and December 31, 2017, we had total consolidated revenue of \$123.9 million and \$115.9 million, net life premium revenue of \$88.6 million and \$82.9 million, and a net loss of \$13.8 million and \$8.2 million, respectively. As of December 31, 2018, we had total assets of \$654.9 million and equity of \$172.2 million.

Our Approach

Our business model is predicated upon gaining cost effective access to the Middle Market, engaging consumers in our sales process for life insurance with products that have higher placement rates than traditional fully underwritten term life insurance in a call center environment, and issuing those products quickly. We require access to a large quantity of quality

sales leads to keep our retail call center agents productive. Currently, we acquire most of our sales leads from third party lead vendors. We supplement that lead flow with leads we generate ourselves. More significantly, we are rapidly increasing our affinity business with non-life insurance partners that provide their customers or prospects as leads, and we market and sell life insurance products to those leads.

We tend to sell policies with lower face amounts, resulting in more affordable options for our customers. Although not the lowest priced, our products are competitive and they represent an attractive consumer value considering the coverage they provide and the relative simplicity of our sales and underwriting processes. Our business model allows us to capture end-to-end data beginning with the acquisition of sales leads through the final disposition of life insurance policies. With this data, we plan to develop and apply predictive analytics to realize efficiencies at various points in the sales process.

Our Competitive Strengths

We believe that we are strategically positioned to take advantage of the following competitive strengths:

- **Middle Market access.** The sales contacts made through Efinancial's call centers are focused on the Middle Market. This stands in contrast to the life insurance industry at large, which tends to market to a more affluent clientele.
- **Multi-channel distribution.** We reach Middle Market consumers through multiple distribution channels. Through our retail channel, we engage consumers through Efinancial's call centers using sales leads that we acquire or generate ourselves, and we leverage our product and sales processes with affinity partners to extend our reach to Middle Market consumers seeking affordable, accessible life insurance. Through our wholesale channel, we offer other carriers' products through unaffiliated distributors. In addition, Fidelity Life also offers its products through select unaffiliated distributors.
- **Patented products and processes.** Our **RAPID**Decision® Life product features a system-and-method patented process that affords higher and faster placement rates than traditional fully underwritten term life insurance in a call center environment. Through our process, policy placement usually occurs during the initial interaction, which leads to customer satisfaction and improved economics in our call centers. Our efficient process contrasts with much of the industry, where the underwriting process extends well beyond the initial interaction. In addition, our flagship **RAPID**Decision® Life product uses predictive analytics at certain ages and face amounts to place all-cause coverage products during the initial interaction without a medical examination for qualified customers. The product is priced to be profitable even at lower policy amounts, which allows us to align our offerings with Middle Market consumers' ability to afford life insurance.
- **End-to-end lead and policy data.** As a life insurance company and a direct distributor, we are positioned to gather end-to-end lead and policy data to develop predictive analytical models that can be applied to identify the characteristics of prospects who are more likely to exhibit favorable placement, persistency and mortality experience. We plan to apply this insight to optimize our marketing, sales and underwriting processes and product development.

Our Growth Strategies

We intend to use our competitive strengths to grow our business through the following strategies:

- **Capitalize on the unmet need for life insurance in our target market.** We believe we are well positioned to meet demand where there is currently a substantial unmet need for life insurance in the Middle Market. Using our quick-issue products together with our distribution platform, we plan to increase sales to Middle Market consumers by providing a convenient experience to purchase life insurance at an affordable price.
- **Use predictive analytics to generate more productive sales leads.** By converting data we generate through our distribution platform into actionable insight using statistical analysis, we will seek to be more efficient in our acquisition and use of leads, improving our call center placement ratios and overall profitability.
- **Enhance and extend affinity partnerships.** We plan to continue and selectively deepen our existing affinity partnerships and develop new and complementary affinity relationships and partnerships. We expect this will expand and diversify our sources of quality leads.

- **Expand call center operations and improve efficiency.** To drive sustainable premium and Efinancial commission growth, we plan to expand our Efinancial call center operations by hiring additional agents. In addition, we evaluate our product offerings and product providers in order to examine whether we are addressing the needs and preferences of the Middle Market.
- **Explore alternative means of distribution.** We are currently exploring distribution alternatives beyond our call center and independent distributors, including digital and on-line sales.

Our Challenges and Risks

Our company and our business are subject to numerous risks as more fully described in the section of this prospectus entitled “Risk Factors.” As part of your evaluation of our business, you should consider the challenges and risks we face in implementing our business strategies:

- **We have incurred net losses over the last nine years.** A significant percentage of Fidelity Life’s in-force policies have been written since 2007, and as a result we do not have an established legacy book of business and associated revenue streams like many larger life insurance companies. The lack of cash flows typically associated with a legacy business puts Fidelity Life at a disadvantage in comparison with other life insurance carriers that have a more established book of business and associated revenue streams. In addition, we have incurred a net loss in each of the nine prior fiscal years, resulting in an aggregate of approximately \$111.7 million in net losses over that period, including losses of \$13.8 million and \$8.2 million for the years ended December 31, 2018 and December 31, 2017, respectively. Our losses are due principally to operating expenses and corporate overhead exceeding revenues of our agency and insurance segments, and our inability to defer a majority of commission expense on policies produced by our affiliated agency, Efinancial.
- **We expect to continue to incur net losses as we develop our distribution platform.** We plan to continue to increase sales through our affiliated distributor, Efinancial, in order to increase our scale to cover our operating expenses and corporate overhead. However, generally accepted accounting principles in the United States (GAAP) require that we immediately expense that portion of our policy acquisition costs for policies placed through our affiliated agency, Efinancial, that cannot be directly tied to the placement of a policy. As a result of this immediate expense recognition for sales through Efinancial, we incur a net loss in the first year on each policy sold through Efinancial. If we are successful in increasing our premium writings through our distribution platform over each of the next several years, we expect that the impact of the immediate expense recognition will continue to contribute to our incurring consolidated net losses and reduction of our consolidated equity in each such year.
- **Our call center-based distribution model may not be sustainable.** The products and processes that we use to reach the Middle Market rely heavily on retail call center-based sales. There are relatively few such call centers being operated by independent distributors. The call centers that we are familiar with tend to have low placement ratios on medically underwritten products because of the time delay involved in issuing policies and the lack of face to face sales support typically provided by traditional agents. We have developed innovative products and processes designed to streamline the sale of life insurance and improve call center placement ratios, and have made significant investments in cultivating leads and improving our sales process. We cannot assure you that our business model, which is focused on selling quick-issue policies to the Middle Market through our retail call center distribution platform, will prove to be viable or sustainable. If we are not successful in utilizing our products and processes to penetrate our target Middle Market, or if we are unable to hire, develop and retain well qualified individuals to staff our retail call centers, we will not generate sufficient revenues to offset our expenses, which will result in a material and adverse effect on our business, financial condition and results of operations.
- **Our target market continues to face a difficult economic environment.** While economic conditions have stabilized and improved in a number of areas, economic challenges still remain. Many middle American families, including those that comprise our target Middle Market, have experienced financial hardships and stagnating income levels. We believe that these economic pressures have reduced demand for our life insurance products due to challenging consumer economics, including increased demands on disposable income to pay for increasing costs of living, including health insurance, savings goals and general living expenses. Economic challenges may continue to adversely affect our business in the future.

Business Segments

We manage our business through three segments:

- **Agency.** Our agency segment operates through Efinancial. Efinancial sells insurance products through its call center distribution platform and through its independent agents and other marketing organizations.
- **Insurance.** Our insurance segment operates through Fidelity Life. Fidelity Life engages in the principal business lines of core life, non-core life, closed block, and annuities and assumed life. In its core life and non-core life business lines, Fidelity Life offers primarily term life insurance products, and to a lesser extent accidental death and final expense products. We currently do not offer annuity contracts, separate account variable products or universal life products.
- **Corporate.** Our corporate segment consists primarily of a small amount of capital required to be maintained for regulatory purposes, and also includes certain expenses considered to be corporate and not allocated to our agency or insurance segments.

Implications of Being an Emerging Growth Company and a Smaller Reporting Company

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart our Business Startups Act of 2012, commonly known as the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and reduction of other obligations that are otherwise generally applicable to public companies. These provisions include:

- a requirement to include in this prospectus only two years of audited financial statements, two years of selected financial information, and two years of related Management Discussion & Analysis;
- exemption from the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- reduced disclosure about our executive compensation arrangements; and
- no stockholder non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until the earlier of five years or such time as we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenues, have more than \$700 million in market value of our capital stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to take advantage of the benefits of this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of this exemption. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

As a company with less than \$250 million of public float, we qualify as a “smaller reporting company” as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. As a smaller reporting company we are able to take advantage of reduced disclosure requirements, such as simplified executive compensation disclosures and reduced financial statement disclosure requirements in our SEC filings. We plan to take advantage of some or all of the reduced compliance obligations applicable to emerging growth companies and smaller reporting companies.

Our History

We formed Vericity so that it could acquire all of the capital stock of converted Members Mutual as part of the conversion. Prior to the conversion, Vericity has not engaged and will not engage in any operations and does not have any assets or liabilities. After the conversion, Vericity’s primary assets will be the outstanding capital stock of converted Members Mutual and the net proceeds of the offerings described in this prospectus. Vericity Holdings, Inc. is a wholly-owned subsidiary of Members Mutual and the intermediate holding company for Efinancial and Fidelity Life.

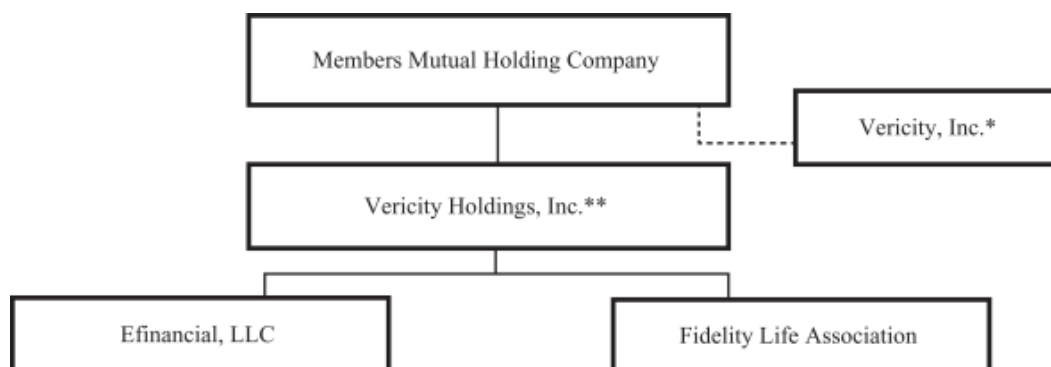
In 2007, Fidelity Life completed a reorganization in which it converted from a mutual to a stock insurance company within a newly created mutual holding company structure. As part of the reorganization, Members Mutual was formed as an Illinois mutual insurance holding company and Fidelity Life continued its existence as an Illinois stock life insurance company. All of the shares of Fidelity Life were issued to Vericity Holdings, an intermediate holding company that, in turn, was initially a wholly-owned subsidiary of Members Mutual. In the reorganization, policyholders' membership interests in Fidelity Life automatically became membership interests in Members Mutual, but policyholders' contractual rights remained with Fidelity Life. Since the effective date of the reorganization, each person who has become a Fidelity Life policyholder has automatically become a member of Members Mutual and retains that membership interest as long as the Fidelity Life policy owned by the member remains in force.

In 2009, Vericity Holdings acquired Efinancial from its owners. As part of the consideration for the acquisition of Efinancial, the owners were issued shares of common stock of Vericity Holdings. These shares have since been redeemed and Vericity Holdings is wholly-owned by Members Mutual.

Our principal executive offices are located at 8700 West Bryn Mawr Avenue, Suite 900S, Chicago, Illinois, 60631, and our phone number is (312) 379-2397. Our website address is www.vericity.com. Information contained on our website is not incorporated by reference into this prospectus, and such information should not be considered to be part of this prospectus.

Our Structure Prior to the Conversion

Since Fidelity Life converted from mutual to stock form in 2007, we have operated under a mutual holding company structure. Our current corporate structure is shown in the following chart:



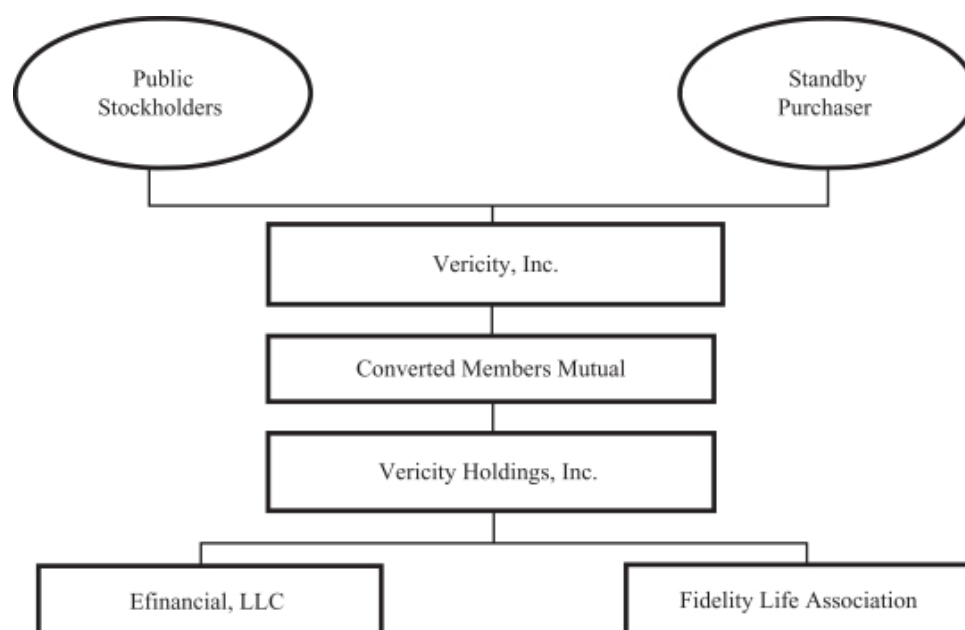
* As required by Illinois law, prior to the conversion, Vericity, Inc. is owned by Members Mutual. Prior to the conversion, Vericity, Inc. has not engaged in any operations and does not have any assets or liabilities. The one (1) outstanding share of Vericity, Inc. is owned by Members Mutual and will be cancelled upon completion of this offering.

** As required by Illinois law, prior to the conversion, the stock of Vericity Holdings is held in trust for the benefit of the policyholders of Fidelity Life.

Our Structure Following the Conversion

Immediately upon the conversion of Members Mutual, all of the authorized capital stock of converted Members Mutual will be issued to Vericity, and the common stock of Vericity held by converted Members Mutual will be cancelled, such that, upon completion of this series of actions, the issued and outstanding shares of our common stock will consist solely of the shares of common stock sold in the offerings.

Following the completion of these actions, assuming that (i) fewer than 14,875,000 shares are sold in the subscription offering and community offering, or (ii) that fewer than 20,125,000 shares are sold in the subscription offering and that the standby purchaser elects to purchase shares in the standby offering, the corporate structure of Vericity, Inc. will be as shown in the following chart:



In fulfilling its standby purchase commitment, the standby purchaser will acquire a majority of our shares issued in the offerings if the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, total fewer than 7,437,500 shares. The directors and officers of Members Mutual have indicated their intention to subscribe for approximately 1,896,375 shares, or approximately 13% of the shares at the offering minimum.

The Conversion of Members Mutual from Mutual to Stock Form

Members Mutual is an Illinois-domiciled mutual insurance holding company. As a mutual company, it has no stockholders but it does have members. A member of Members Mutual is either the holder of an in-force individual insurance policy issued by Fidelity Life or the holder of a group master policy issued by Fidelity Life.

Like stockholders, the members have certain rights with respect to Members Mutual such as voting rights with respect to the election of directors and approval of certain fundamental transactions, including the conversion of Members Mutual from mutual to stock form. However, unlike shares held by stockholders, the membership interests in Members Mutual are not transferable and do not exist separately from the related insurance policies issued by Fidelity Life. Therefore, these membership interests are extinguished when a member's policy with Fidelity Life is terminated by surrender, death, lapse or cancellation. Those membership interests will also be extinguished upon conversion of Members Mutual from mutual to stock form in accordance with Illinois law and the plan of conversion.

The board of directors of Members Mutual adopted a plan of conversion on July 31, 2018, as amended and restated on September 16, 2018 and March 25, 2019, under which Members Mutual will convert from a mutual insurance holding company to a stock company. Following the conversion, Members Mutual will become a wholly-owned subsidiary of Vericity. A special meeting of the eligible members of Members Mutual (those members who were the policyholders of Fidelity Life as of the close of business on July 31, 2018) will be held on [●], to approve the plan of conversion. To become effective, the plan must be approved by the affirmative vote of at least two-thirds of the votes cast at the special meeting.

As part of the conversion, we are offering for sale between 14,875,000 shares and 20,125,000 shares of our common stock at a purchase price of \$10.00 per share on a first priority basis to eligible members, and second to the directors and officers of Members Mutual. All purchasers of our common stock in this offering will pay the same cash price per share. If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community

offering, is less than 14,875,000 shares, Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund advised by J.C. Flowers & Co. LLC, has agreed to act as the standby purchaser for this offering and to purchase the number of shares of our common stock equal to the difference between 14,875,000 and the number of shares of common stock subscribed for in the subscription offering together with the number of shares for which subscriptions are accepted in the community offering, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings. Under the terms of our agreement with the standby purchaser, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, whether or not it acquires a majority of the stock sold in the offerings. All membership interests in Members Mutual will be extinguished upon completion of the subscription offering and the plan of conversion, regardless of whether an eligible member exercises subscription rights received under the plan of conversion.

The Subscription Offering

We are offering shares of our common stock in a subscription offering. The subscription offering will end at 5:00 PM, Central Time, on [●]. In the subscription offering, 20,125,000 shares of common stock are being offered on a first priority basis to the members of Members Mutual who were policyholders of Fidelity Life as of the close of business on July 31, 2018, who we refer to as eligible members, and second to the directors and officers of Members Mutual.

The number of shares of common stock issued will not exceed 20,125,000 shares. Shares purchased by the directors and officers of Members Mutual will be purchased for investment and not for resale and will be counted toward satisfaction of the minimum number of shares needed to be sold to complete this offering. We refer to this offering of the common stock to the eligible members and the directors and officers of Members Mutual as the “subscription offering.”

The Community Offering

If less than 20,125,000 shares are subscribed for in the subscription offering, we will offer shares to eligible employees under the Employee Bonus Program and may offer shares to other potential investors in what we refer to as the community offering. In the community offering, the Company may accept, in its sole and absolute discretion, orders received in the following order of priority: (1) orders from eligible employees who subscribe for shares of common stock as part of the Employee Bonus Program, and (2) if the number of subscribers or the number of shares of common stock subscribed for by participants in the subscription offering, together with any shares subscribed for by eligible employees, is not sufficient to qualify Vericity for listing on the Nasdaq Capital Market, the Company may accept, in its sole discretion, orders for shares of common stock from select investors in the community offering as may be necessary in order for Vericity to qualify for listing on the Nasdaq Capital Market.

The Company may commence the community offering concurrently with, at any time during, or as soon as practicable after the end of, the subscription offering, and the community offering must be completed within 30 days after the end of the subscription offering, unless extended by the Company. Other than eligible employees, whose subscriptions are subject to the terms of the Employee Bonus Program, the maximum amount that any person together with any associate may, directly or indirectly, subscribe for or purchase in the community offering, shall not exceed 743,750 shares of common stock.

The Employee Bonus Program

In connection with the conversion, Members Mutual has adopted a bonus program for eligible employees who, in recognition of their efforts on behalf of Members Mutual to position it to become a publicly-traded stock company, will be given the opportunity to receive a bonus payable either in \$1,000 cash or 100 shares of common stock of Vericity, in either case together with an additional \$250 cash to help defray taxes payable with respect to the bonus. The Employee Bonus Program will be conducted as part of the community offering and is subject to completion of the conversion.

It is the intention of the Company to accept all orders of stock from eligible employees in the Employee Bonus Program so long as the total number of shares of common stock subscribed for by participants in the subscription offering together with shares subscribed for by eligible employees in the Employee Bonus Program is less than 20,125,000. In the event the total exceeds 20,125,000 shares, no shares of common stock will be issued to eligible employees under the Employee Bonus Program and the bonus will be paid in cash, subject to completion of the conversion.

The Standby Purchaser

Apex Holdco L.P., the standby purchaser, was formed on October 1, 2018 to acquire shares of our common stock pursuant to the standby purchase agreement. Prior to the completion of the standby offering, the standby purchaser has not engaged in any business operations and does not have any assets or liabilities (other than its rights and obligations under the standby purchase agreement). The standby purchaser is managed by Apex Holdco GP LLC, its general partner. Apex Holdco GP LLC is an affiliate of J.C. Flowers & Co. LLC.

At this time it is not possible to determine the number of shares of common stock of the Company that the standby purchaser will purchase pursuant to the standby purchase agreement. However, in fulfilling its standby purchase commitment, the standby purchaser will acquire a majority of our shares issued in the offerings if the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, total fewer than 7,437,500 shares. Pursuant to the standby purchase agreement, after the completion of the offerings, the standby purchaser will have the right to designate a majority of the members of our board of directors. If the standby purchaser acquires a majority of our shares in the standby offering, the standby purchaser will be able to approve most corporate actions requiring stockholder approval by written consent without a meeting of stockholders.

J.C. Flowers & Co. LLC was founded in 1998 and is a leading private investment firm dedicated to investing globally in the financial services industry. J.C. Flowers & Co. LLC invests across a range of deal types and industry sectors including banking, insurance and reinsurance, securities, services and asset management, and specialty finance. J.C. Flowers & Co. LLC is registered with the Securities and Exchange Commission as an investment adviser. With approximately \$6 billion of assets under management, J.C. Flowers & Co. LLC has offices in New York and London. Mr. J. Christopher Flowers is the sole owner of, and the managing member of, J.C. Flowers & Co. LLC.

Standby Purchase Agreement

Members Mutual, Vericity and Fidelity Life entered into the standby purchase agreement with the standby purchaser on October 5, 2018, as amended and restated on March 26, 2019, pursuant to which the standby purchaser agreed, subject to certain conditions, to acquire from us at the subscription price of \$10.00 per share the number of shares equal to the difference between the offering minimum of 14,875,000 shares and the number of shares of common stock subscribed for in the subscription offering together with any subscriptions for shares accepted in the community offering. In addition, the standby purchaser has the right to purchase additional shares up to the offering maximum, which additional shares may permit the standby purchaser to acquire up to a majority of the stock sold in the offerings. Under the terms of our agreement with the standby purchaser, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, whether or not it acquires a majority of the stock sold in the offerings. Shares purchased by the standby purchaser in the standby offering will be purchased for investment and not for resale and will be counted toward satisfaction of the minimum number of shares needed to be sold to complete the subscription offering. For a description of the terms and conditions of the standby purchase agreement, see “The Conversion and Offering—Description of the Standby Purchase Agreement.”

We refer to the offering of shares to the standby purchaser as the standby offering. We refer to the subscription offering, the community offering and the standby offering as the offerings.

Conditions to Completion of the Conversion and this Offering

Our ability to complete this offering is subject to two conditions. First, a minimum of 14,875,000 shares of common stock must be sold to complete this offering. Second, Members Mutual’s plan of conversion and amended and restated articles of incorporation must be approved by the affirmative vote of at least two-thirds of the votes cast at the special meeting of members to be held on [●]. No funds will be released from the escrow account until both of these conditions have been satisfied.

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, and if all of the conditions to the standby purchaser’s purchase commitment have been satisfied, the standby purchaser will be obligated to purchase enough shares in the standby offering to guarantee the sale of the minimum number of shares necessary to complete this offering. In that event, the level of sales to

eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

Termination of this Offering

Subject to the provisions of the plan of conversion and the standby purchase agreement, we have the right to cancel this offering at any time. In addition, the completion of this offering is subject to market conditions and other factors beyond our control. If this offering is not completed, all funds received will be promptly returned to purchasers without interest.

Stock Pricing and Number of Shares to be Issued

The plan of conversion requires that the range of the value of the total number of shares to be issued in this offering must be based on a valuation of our estimated consolidated pro forma market value. Under the plan of conversion, the valuation must be in the form of a range consisting of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation and a valuation fifteen percent (15%) below the midpoint valuation. We retained Boenning & Scattergood, Inc. to determine the valuation range for this offering. Boenning & Scattergood, Inc. has determined that, as of April 11, 2018, the estimated consolidated pro forma market value of Members Mutual is \$175,000,000 at the midpoint, and the range of value of the total number of shares of common stock to be issued in the offering is between a minimum value of \$148,750,000 and a maximum value of \$201,250,000. We plan to issue between 14,875,000 and 20,125,000 shares of our common stock in this offering. This range was determined by dividing the \$10.00 price per share into the range of Boenning & Scattergood, Inc.'s valuation.

We determined to offer the common stock in the subscription offering at the price of \$10.00 per share to ensure a sufficient number of shares are available for purchase by eligible members. In addition, Raymond James advised us that the \$10.00 per share offering price is commonly used in mutual-to-stock conversions of other insurance companies and savings banks and savings associations that use the subscription rights conversion model. These were the only factors considered by our board of directors in determining to offer shares of common stock at \$10.00 per share.

How Do I Buy Stock in this Offering?

If you wish to purchase shares of common stock in the subscription offering, you must sign and complete the stock order form that accompanies this prospectus and send it to us with your payment such that your order is received before the offering deadline. You may submit your order to us by overnight delivery to the address indicated for this purpose on the top of the stock order form or by mail using the stock order reply envelope provided. Payment by check or money order must accompany the stock order form. No cash or third party checks will be accepted. All checks or money orders must be made payable to "Computershare Trust Company, N.A., as escrow agent for Vericity, Inc." We may permit certain persons whose subscriptions are accepted in the community offering to make payment of the purchase price by a wire transfer to the escrow agent.

The completed stock order form and payment in full for the shares ordered must be received (not postmarked) no later than 5:00 PM, Central Time, on [●]. Once submitted, your order is irrevocable without our consent unless we terminate this offering. Our consent to any modification or withdrawal request may or may not be given in our sole discretion. We may reject a stock order form if it is incomplete, improperly completed, or not timely received.

If you are an eligible employee and wish to purchase 100 shares of stock under the Employee Bonus Program, you must complete the Employee Bonus Program Election Form and follow the instructions provided.

Offering Deadline

All subscription rights will expire at 5:00 PM, Central Time, on [●]. We expect that the community offering will terminate on or about the same time. Subscription rights not exercised prior to this deadline will be void, whether or not we have been able to locate each person entitled to receive subscription rights.

Limits on Your Purchase of Common Stock

The plan of conversion and Illinois law establish the following minimum and maximum purchase limitations for participants (including such participant's associates or a group acting in concert) in the subscription offering:

- No person may subscribe for fewer than 25 shares in this offering.

- Each eligible member has been allocated subscription rights to purchase the number of shares that is printed on the stock order form mailed to each such eligible member. No eligible member may subscribe to purchase more shares than the number of subscription rights allocated to such member. The number of subscription rights allocated to each eligible member was determined in accordance with actuarial analyses described in the plan of conversion.
- Subject to the prior rights of eligible members to subscribe for up to 20,125,000 shares in this offering, no director or officer of Members Mutual may purchase more than such person's individual management purchase limit. Members Mutual has determined each individual management purchase limit based on positions held and compensation. In no event may the directors and officers of Members Mutual, in their capacities as such, together with their affiliates and associates, purchase more than 4,016,250 shares of the stock sold in the offerings.
- In addition to the limitations set forth above, no person (other than the standby purchaser) may acquire, directly or indirectly, in this offering or any public offering, more than 5% of the capital stock of Vericity for a period of five years from the effective date of the conversion without the approval of the Illinois Director of Insurance.

The subscription of any person who subscribes for more shares than the person's maximum purchase limitation as set forth on the stock order form will be disregarded in its entirety or reduced to the person's maximum purchase limitation, at the discretion of Vericity.

We have the right in our absolute discretion and without liability to any participant in the subscription offering, the community offering or to any other person to determine which proposed persons and which subscriptions and orders in this offering meet the criteria provided in the plan of conversion for eligibility to purchase shares of common stock and the number of shares eligible for purchase by any person. Our determination of these matters will be final and binding on all parties and all persons.

Oversubscription

If eligible members subscribe for more than 20,125,000 shares, the shares of common stock will be allocated so as to permit each subscribing eligible member, to the extent possible, to purchase up to the lesser of the number of shares subscribed for or 100 shares. Any remaining shares will be allocated among the eligible members whose subscriptions remain unsatisfied in the proportion in which the number of shares as to which each such eligible member's subscription remains unsatisfied bears to the aggregate number of shares as to which all such eligible members' subscriptions remain unsatisfied.

Actuarial Opinion

We retained Milliman, Inc., an independent actuarial consulting firm, to advise us in connection with actuarial matters involved in the allocation of subscription rights and the establishment of the individual maximum purchase limitations. The opinion of Steven I. Schreiber, Principal of Milliman, dated March 25, 2019, relating to the proposed allocation of subscription rights among eligible members in consideration for the extinguishment of their membership interests in Members Mutual, states (in reliance upon the matters described in such opinion) that the principles, methodology and the allocation instructions for allocating consideration among the eligible members and for allocating shares in the event of an over subscription, each as set forth in the plan of conversion, are fair and equitable from an actuarial point of view. The opinion of Steven I. Schreiber is an exhibit to the registration statement of which this prospectus is a part, and is available for inspection in the manner set forth in the section titled "Additional Information." A copy of the actuarial opinion is also on file and available for inspection at our principal executive offices.

Management Purchases of Stock

The directors and officers of Members Mutual, in their capacities as such, together with their affiliates and associates, may not purchase in the aggregate more than 4,016,250 shares, which represents 27% of the shares at the minimum of the offering range. If the eligible members subscribe for less than the maximum number of shares, the directors and officers of Members Mutual, together with their affiliates and associates, have indicated their intention to purchase approximately 1,896,375 shares of common stock in the subscription offering. The directors and officers of Members Mutual and their affiliates and associates are not obligated to purchase this number of shares, and in the aggregate they may purchase a greater or smaller number of shares. See "The Conversion and Offering—Proposed Management Purchases."

If there are insufficient shares remaining after the subscriptions of eligible members to satisfy in full all of the subscriptions of directors and officers of Members Mutual, the available shares of common stock will be allocated among the subscribing management participants in the proportion in which the number of shares as to which each such management participant's subscription bears to the aggregate number of shares subscribed for by all management participants.

Undersubscription

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, the standby purchaser has agreed to purchase enough shares in the standby offering to guarantee the sale of the minimum number of shares necessary to complete this offering, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings. In that event, the level of sales to eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

Benefits to Management

Members of our management, our directors and advisory board members will participate in an equity incentive plan to be established under the terms of the amended and restated limited partnership agreement of the standby purchaser. The plan will be established to promote the long-term growth and profitability of the standby purchaser and all of our stockholders by providing employees, directors and service providers who are or will be involved in our growth with an opportunity to acquire an ownership interest in the standby purchaser, thereby encouraging such persons to contribute to and participate in our success. Under the plan, the general partner of the standby purchaser may grant awards of Class B units to employees, directors and other service providers of the standby purchaser and/or Vericity. Class B units are non-voting profits interests in the standby purchaser that entitle the holders thereof to participate in the appreciation in the value of the standby purchaser above an applicable threshold and to thereby share in our future growth. The grant of equity-based awards to our management and directors is intended to encourage the creation of long-term value for our stockholders by helping to align the interests of the participants under the plan with those of our stockholders and to promote employee retention and ownership. See "Executive Compensation—Apex Holdco Equity Incentive Plan."

Shares Outstanding Immediately After the Offerings

A minimum of 14,875,000 shares and a maximum of 20,125,000 shares of our common stock will be issued and outstanding after the offerings.

Use of Proceeds

As required under Illinois law, the plan of conversion requires that the total price of the stock to be issued in the conversion must be equal to the estimated pro forma market value of converted Members Mutual as determined by an independent appraiser, which is \$148.8 million at the minimum of the offering range. Accordingly, we must sell shares at an aggregate price at least equal to \$148.8 million in the offerings. We estimate the net proceeds from the offerings will be between \$136.8 million at the minimum of the offering range and \$190.9 million at the maximum of the offering range. See the "Offering Summary" on the front cover of the prospectus for the assumptions used to arrive at these amounts. The amount of net proceeds from the sale of common stock in the offerings will depend on the total number of shares actually sold in the subscription offering and the standby offering.

Initially, we plan to retain substantially all of the net proceeds from the offerings at Vericity. The standby stock purchase agreement provides that within six months following the closing of this offering, our board will direct management to undertake and complete a capital needs assessment to project the amount of capital reasonably needed to be maintained at Vericity to support adequate operating capital levels at Fidelity Life and Efinancial. Depending on the results of the assessment, we may allocate a portion of the net proceeds from the offerings to support our insurance and agency businesses, and more particularly to (i) reduce our use of reinsurance to finance growth, while continuing to emphasize risk management; (ii) make investments to strengthen our infrastructure, including our IT platforms; (iii) selectively deploy new capital to acquire and bolster talent in key areas of competency linked to competitive advantage; and (iv) pay amounts due on account of the acceleration of Long-Term Incentive Plan awards (as described below). We expect that any unallocated net proceeds from the offerings will be used for general corporate purposes, including paying holding company expenses, and potentially paying a special cash dividend to our stockholders or repurchasing shares of our common stock.

If as a result of the capital needs assessment, management determines that the amount of capital retained at Vericity exceeds the reasonable current and near term projected operating capital needs, management will determine the amount of excess capital (if any) that may be available for distribution to stockholders and may recommend the declaration of a special dividend to stockholders in an amount not to exceed any such excess capital. The amount of any special dividend would not equal or exceed one hundred percent of the net proceeds. However, there can be no assurance that our board of directors will declare any dividend. Any decision regarding the declaration or amount of any dividend will be in the sole discretion of the board of directors of Vericity and will depend on many factors, including the capital needs assessment, the amount of net proceeds from this offering, general economic and business conditions, Vericity's financial results and condition, legal and regulatory requirements and any other factors that the Vericity board may deem relevant.

The following table illustrates the effect on the estimated net proceeds available to the Company following the payment of a potential special dividend in the projected amounts as shown below. This table is presented for illustrative purposes only and does not represent a commitment regarding the payment of a special dividend in any amount, including the amounts shown below:

	Offering Minimum				Offering Maximum			
	(dollars in millions except share and per share data)							
Projected dividend per share	\$2	\$4	\$6	\$8	\$2	\$4	\$6	\$8
Effective pre-tax net investment per share	\$8	\$6	\$4	\$2	\$8	\$6	\$4	\$2
Gross offering proceeds	\$148.8	\$148.8	\$148.8	\$148.8	\$201.3	\$201.3	\$201.3	\$201.3
Estimated offering expenses	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Estimated commissions	3.6	3.6	3.6	3.6	2.0	2.0	2.0	2.0
Estimated dividend payout	29.8	59.5	89.3	119.0	40.3	80.5	120.8	161.0
Estimated net proceeds	\$107.0	\$ 77.3	\$ 47.5	\$ 17.8	\$150.6	\$110.4	\$ 70.1	\$ 29.9

Under the terms of the standby purchase agreement and our bylaws, upon completion of the offerings, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, and the board will determine the amount and timing of any special dividend, if a special dividend is declared. If the standby purchaser acquires a majority of our shares sold in the offerings, the standby purchaser would receive a majority of the amount of any excess capital distributed to stockholders as a special dividend in proportion to its stock ownership.

On a short-term basis, the proceeds retained at Vericity will be initially invested primarily in U.S. government securities, other federal agency securities, and other securities consistent with our investment policy until utilized.

Dividend Policy

Following completion of this offering, our board of directors will have the authority to declare dividends on our shares of common stock. We currently do not have any plans to pay ordinary cash dividends to our stockholders. Any decision to pay a dividend will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal requirements, intercompany dividends from our subsidiaries and other factors as the board of directors deems relevant. For additional information regarding restrictions on our ability to pay dividends, see "Dividend Policy." For information regarding the potential payment of a special cash dividend following a capital needs assessment to be conducted within six months of the closing of this offering, see "Dividend Policy—Capital Needs Assessment; Potential Special Dividend."

Market for Common Stock

Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol "VERY."

How You May Obtain Additional Information Regarding this Offering

If you have any questions regarding the stock offering, please call the Stock Information Center at 1—[•], Monday through Friday between 10:00 a.m. and 4:00 p.m., Central Time to speak with a representative of Raymond James.

RISK FACTORS

An investment in our common stock involves a number of risks. Before making a decision to purchase our common stock, you should carefully consider the following information about these risks, together with the other information contained in this prospectus. Many factors, including the risks described below, could result in a significant or material adverse effect on our business, financial condition and results of operations. If this were to happen, the price of our common stock could decline significantly and you could lose all or part of your investment.

Risks Relating to Our Business

We have incurred a net loss in each of the nine prior fiscal years.

Although founded over one hundred years ago, we recommenced independent operations in 2005 following the termination of a long-term management relationship with a former affiliate, and a significant percentage of Fidelity Life's in-force policies have been written only in the years since then. The lack of cash flows typically associated with a legacy business puts Fidelity Life at a disadvantage in comparison with other life insurance carriers that have a more established book of business and associated revenue streams. In addition, we have incurred a net loss in each of the nine prior fiscal years, resulting in an aggregate of approximately \$111.7 million in net losses over that period, including losses of \$13.8 and \$8.2 million for the years ended December 31, 2018 and 2017, respectively. Our losses are due principally to operating expenses and corporate overhead exceeding revenues of our agency and insurance segments, and our inability to defer commission expense on policies produced by our affiliated agency, Efinancial.

If we are successful in growing our business through our distribution strategy, we expect to continue to generate consolidated net losses until we have developed a sustainable book of business and our growth rate has leveled.

Revenue growth is required to increase our scale to cover our operating expenses and corporate overhead. Consistent with our distribution strategy, we have been increasing the number of Fidelity Life policies sold through our affiliated distributor, Efinancial. However, generally accepted accounting principles (GAAP) require that we immediately expense that portion of our policy acquisition costs for policies placed through our affiliated agency, Efinancial, that cannot be directly tied to the placement of a policy. As a result of this immediate expense recognition for sales through Efinancial, we incur a net loss in the first year on each policy sold through Efinancial. We plan to continue to increase sales through Efinancial as we seek to further develop our distribution platform and grow our book of business. If we are successful in increasing our premium writings through Efinancial over each of the next several years, we expect that the impact of the immediate expense recognition will continue to contribute to our incurring consolidated net losses and reduction of our consolidated equity in each such year. If we are not able to offset that expense load with additional income streams, we will continue to incur consolidated net losses, which will have a material and adverse effect on our business, financial condition, results of operations, and prospects. There can be no assurance that we will be able to generate a sustainable book of business using our distribution platform that will produce sufficient revenues to offset our expenses.

We use products and processes in order to overcome the barriers that have historically hindered access to the Middle Market, and there can be no assurance our products and processes will fully address these barriers.

Historically, our target market has been underserved by life insurance companies that have tended to focus on more affluent customers. The products and processes that we use to reach the Middle Market rely heavily on retail call center-based sales. The call centers that we are familiar with tend to have low placement ratios on medically underwritten products because of the time delay involved in issuing policies and the lack of face to face sales support typically provided by traditional agents. We have developed innovative products and processes designed to streamline the sale of life insurance and improve call center placement ratios. We cannot assure you that our business model, which is focused on selling quick-issue policies to the Middle Market through our retail call center distribution platform, will prove to be viable or sustainable. If we are not successful in utilizing our products and processes to penetrate our target Middle Market, we will not generate sufficient revenues to offset our expenses, which will result in a material and adverse effect on our business, financial condition, results of operations, and prospects.

Although we are currently exploring direct distribution of insurance policies over the internet, there can be no assurance that we will be successful in placing policies through this distribution platform. Several of our competitors are currently developing, and in some cases have developed, the capability for distribution of insurance products through digital and online platforms. If we are unable to successfully implement our online distribution platform or implement other distribution methods that are preferred by consumers, we may be unable to successfully reach a portion of our target Middle

Market. In addition, there can be no assurance that the performance of the products that we sell through direct online distribution will meet our expectations. Either of these circumstances could cause a material and adverse effect on our business, financial condition, results of operations, and prospects.

Our results of operations have been adversely affected by the current low interest rate environment, and will continue to be adversely affected if interest rates remain low or if interest rates should rapidly increase.

Interest rates have remained at near historically low levels for an extended period. Although the Federal Reserve moved to marginally increase short-term interest rates in 2018, 2017, and 2016 and may continue to increase rates in the future, medium and long-term interest rates have remained at low levels. During a prolonged period of low interest rates, our investment earnings may decrease because the interest earnings on our recently purchased fixed income investments will likely have declined in parallel with market interest rates. In addition, callable fixed income securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. In addition, during periods of continuing low interest rates, our financial performance may suffer as a result of a decrease in the spread between interest rates credited to our annuity contractholders and returns on our investment portfolios. A period of prolonged low interest rates may also cause us to change our assumptions of the interest rates that we can earn on our investments and the long-term interest rate that we assume in our calculation of insurance assets and liabilities under GAAP. This revision would result in increased reserves, accelerated amortization of deferred acquisition costs and other unfavorable consequences. In addition, certain statutory capital and reserve requirements are based on formulas or models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves.

Conversely, an increase in market interest rates could also have a material adverse effect on the value of our investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within our investment portfolio. In addition, in periods of rapidly increasing interest rates, withdrawals or surrenders under our annuity contracts may increase as policyholders choose to seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Also, certain statutory reserve requirements are based on formulas or models that consider forward interest rates and an increase in forward interest rates may increase the statutory reserves we are required to hold thereby reducing statutory capital.

Difficult economic conditions have adversely affected the demand for our insurance products in our target Middle Market.

In addition to the adverse impacts of the current low interest rate environment, our business prospects, results of operations and financial condition are affected by general economic conditions. While economic conditions have stabilized and improved in a number of areas, economic challenges still remain. Many middle American families, including those that comprise our target Middle Market, have experienced financial hardships as a result of the slow pace of the economic recovery and stagnant income levels. We believe that these economic pressures have reduced demand for our life insurance products due to challenging consumer economics, including increased demands on disposable income to pay for increasing costs of living, including health insurance, savings goals and general living expenses.

Actual results could materially differ from the third party predictive analytical models that we currently use and those that we plan to develop in the future to assist our decision-making processes.

Our business strategy relies on our ability to develop and effectively utilize predictive analytics to optimize our production of a stable book of life insurance business. Flaws in, or faulty assumptions used by, our predictive models could lead to increased policy claims. If, based upon predictive analytics or other factors, we misprice our products or our estimates of the risks we are exposed to prove to be materially inaccurate, there could be a material and adverse effect on our business, financial condition, results of operations, and prospects.

Our operations are dependent on access to key technology tools; if we lose access to these tools, our ability to conduct business could be significantly impaired.

We make extensive use of internally developed software applications in the conduct of our businesses. In our agency segment, our patented ALISS® software system contains a number of custom applications that are necessary to our ability to operate, including marketing, consumer relationship management, and modules for sales, case management and customer

service. In our insurance segment, we have developed our Rapid Application system and our Fidelity Life Association Sales Handler (FLASH) system to allow our producers to efficiently complete a web-enabled sales application for many of our insurance products. For the year ended December 31, 2018, nearly all of our new insurance policies were processed through our Rapid Application or FLASH systems.

In the event of a disaster such as a natural catastrophe, an epidemic, an industrial accident, a blackout, a computer virus, a terrorist attack, a cyber-attack, or war that causes ALISS® or our Rapid Application or FLASH systems to not function, unanticipated problems with our disaster recovery systems would have an adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our internet access, computer-based data processing, transmission, storage and retrieval systems or destroy valuable data. Despite our implementation of security measures, disaster recovery plans, system back-up plans and offsite arrangements to reduce the risk of a loss of access to these critical systems, there is no assurance that these security measures and back-up plans will work when needed or would protect the company in all circumstances that could arise. An interruption in our business because of our inability to access our key technology tools could result in the loss of revenue and damage to our reputation and could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Valuation of our investments, and the determination of whether a decline in the fair value of our invested assets is other-than-temporary, is based on methodologies and estimates that may prove to be incorrect, which could adversely affect our results of operations and financial condition.

Our fixed maturity securities are classified as either “available-for-sale” securities or “trading” securities, both of which are carried at fair value on the balance sheet. Fair value represents the price that would be received from the sale of an asset in an orderly transaction between market participants on the measurement date. Determining the fair value of certain invested assets, particularly those that do not trade on a regular basis, requires an assessment of available data and the use of assumptions and estimates in making these determinations. This analysis requires us to characterize certain of our investment assets among different categories referred to as either Level 1, Level 2 or Level 3 assets. See “Management’s Discussion and Analysis—Valuation of Fixed Maturity Securities and Equity Securities.” At December 31, 2018, we had 2% of our investment assets characterized as Level 1 assets, 94% of our investment assets characterized as Level 2 assets, and 4% of our investment assets characterized as Level 3 assets. See “Note 8—Assets and Liabilities Measured at Fair Value” in the accompanying unaudited condensed consolidated financial statements and “Note 12—Assets and Liabilities Measured at Fair Value” in the accompanying audited consolidated financial statements included in this prospectus.

In addition, GAAP requires that when the fair value of certain of our invested assets declines and such decline is deemed to be other-than-temporary, we recognize a loss in either accumulated other comprehensive income or on our consolidated statement of operations based on certain criteria in the period that this determination is made. Once it is determined that the fair value of an investment asset is below its carrying value, we must determine whether the decline in fair value is other-than-temporary, which is based on subjective factors and involves a variety of assumptions and estimates. For information on our valuation methodology, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Investments.” There are certain risks and uncertainties associated with determining whether declines in market value are other-than-temporary. These include significant changes in general economic conditions and business markets, trends in certain industry segments, interest rate fluctuations, rating agency actions, changes in significant accounting estimates and assumptions and legislative actions. In the case of mortgage- and other asset-backed securities, there is added uncertainty as to the performance of the underlying collateral assets. To the extent that we are incorrect in our determination of fair value of our investment securities or our determination that a decline in their value is other-than-temporary, we may recognize losses that never actually materialize or may fail to recognize losses within the appropriate reporting period that will be recognized in future periods.

If we are unable to protect sensitive consumer information, our reputation could be damaged and we could be subject to fines or litigation.

Our products and services involve the use, collection and storage of confidential information of consumers and the transmission of this information. In our agency segment, this information is used in the underwriting process by our carriers. For example, we collect names, addresses, personal identity and financial information, and information regarding the medical history of consumers in connection with their applications for life insurance. In our insurance segment, we maintain detailed information on our policyholders, including sensitive, non-public personal information.

While we take commercially reasonable measures to keep our systems and data secure, it is difficult or impossible to defend against all risks being posed by changing technologies as well as criminals intent on committing cybercrime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and could result in a

breach. As a result, we may be unable to anticipate the type or manner of attempts to breach our security or to implement adequate preventative measures against these attempts. We may be required to expend significant capital and other resources to protect our technology infrastructure from attack or to alleviate problems caused by security breaches.

Changes in legislation relating to information security, industry best practices or the specific requirements of our insurance carriers or other business partners may impose new requirements relating to data security and may present significant implementation costs and challenges. Changing our processes could be time consuming and expensive, and failure to timely implement required changes could result in our inability to sell certain insurance products in a particular jurisdiction or to represent certain insurance carriers, any of which could damage our business and adversely affect our results of operations and financial condition.

Any breach or perceived breach of our security could damage our reputation and our relationship with our policyholders, clients, marketing partners and insurance carriers. Reputational damage of this kind could significantly harm our agency segment. For example, consumers and insurance carriers may be less likely to use our agency services following a breach because of a perceived weakness in our information security measures. Additionally, we could be subject to significant liability as well as regulatory action, which would have a material and adverse effect on our business, financial condition, results of operations, and prospects.

We may be unable to adequately protect our intellectual property rights or avoid infringing the intellectual property rights of third parties and the intellectual property rights we have may not be a meaningful barrier to competition.

Currently, we rely on a combination of several issued U.S. patents and a patent application, copyrights, trademarks and trademark applications, confidentiality or non-disclosure agreements, licenses, work-for-hire agreements and invention assignment agreements to protect our intellectual property rights. We can give no assurance, however, that the protective actions we have taken with respect to our intellectual property rights are adequate to prevent others from developing software platforms or using brands that are substantially similar to our own and upon which we rely to differentiate our products and to provide, through the use of our Rapid Application and FLASH technology platforms, a differentiated web-enabled sales and underwriting process. Competitors may adopt brand names similar to our trademarks and tradenames, and owners of similar registered trademarks may bring trade name or trademark infringement claims against us. Further, policing our intellectual property rights is difficult and expensive and may not always be effective. Others may assert claims that our trademarks or copyrights in our proprietary software or materials are invalid or that our proprietary software infringes upon their intellectual property rights. If disputes of this type were to occur, we may not be able to resolve them to our satisfaction. Our inability to protect or maintain exclusive use of our intellectual property could adversely affect our business operations.

Unauthorized parties may copy aspects of our software or obtain and use information we hold as trade secrets and regard as proprietary. While unauthorized parties' use of our proprietary information may under certain circumstances be actionable, independent development of material we hold as trade secrets does not necessarily give rise to a cause of action for trade secret misappropriation. In addition, in the course of seeking patent protection, we were required to publicly disclose information related to our software sufficient to enable others with "ordinary skill" in the relevant technology area to use our various inventions. Third parties may be able to legally circumvent our proprietary rights by using our former disclosures to assist in independently developing software that is substantially similar to our own but which differs from the claims of our issued patents. Use of our patents in this way does, however, present risk to third parties of a finding of willful patent infringement and correspondingly enhanced damages. Moreover, independent development of our patented technology is actionable as direct patent infringement and is generally a strict liability offense.

Currently, we have seven issued U.S. patents and one pending U.S. patent application related to certain aspects of our **RAPID**Decision® Life sales process, our LifeTime Benefit Term product, our ALISS® system and other elements of our business. In the past, we have preliminarily pursued foreign protection and continue to evaluate whether such protection is valuable. Generally, patents issued in the United States remain in force for twenty years from the earliest effective filing date, but in some instances can be extended due to patent office delays for as many as several additional years. Our patents and patent application are expected to expire within the period between July, 2024 and July, 2029. In addition, valid patents may not issue from our pending application, and our issued patents, along with any claims in our pending application that are allowed, may be challenged, invalidated or circumvented, or may not be sufficiently broad to foreclose potential competitors from developing similar new technologies. Furthermore, costly and time consuming litigation could be necessary to enforce and determine the scope of our patents.

In its 2014 decision in *Alice Corp. v. CLS Bank Int'l.*, the Supreme Court of the United States reemphasized the general idea that abstract ideas are not patentable as business methods, but that business methods may be patentable processes if they

otherwise satisfy the requirements of the U.S. Patent Act. In particular, the Supreme Court's two-pronged Alice test first asks whether patents are directed to abstract ideas; if not, patents cover eligible subject matter. If a patent is directed to an abstract idea, prong two of the test asks whether the patents cover "something more" such that they are patent eligible. As a result of Alice, if patents are novel, nonobvious and fully and particularly described, there are arguments to be made that even business method patents can cover patent eligible subject matter. We have endeavored to prosecute patent claims to satisfy the requirements of the U.S. Patent Act in view of Alice, and much of our patent portfolio has been prosecuted post-Alice. Nonetheless, the continued emphasis on the unpatentability of abstract ideas could result in at least some of our existing patents—including our **RAPID**Decision® Life (Hybrid Life) patent family—being rendered invalid and unenforceable or could result in the denial of our pending patent application.

In the ordinary course of our business we can face coverage disputes and lawsuits that are expensive, time consuming and may include claims for extra-contractual damages, which, if resolved adversely, could harm our business, financial condition, or results of operations.

From time to time, we are involved in coverage and other types of lawsuits in the ordinary course of our business. Defending these claims is costly and can impose a significant burden on our management and employees. We utilize reinsurance to limit our exposure on any one life under the insurance policies we issue. However, our reinsurance arrangements generally do not cover extra-contractual damages that we may incur in connection with coverage disputes. Accordingly, were we to be found liable for extra-contractual damages, we would be responsible for the full amount of extra contractual damages. If we are found to be liable for significant extra-contractual damages in future cases, there could be a material and adverse effect on our business, financial condition, results of operations, and prospects.

Legal and regulatory investigations and actions are increasingly common in the life insurance business and may result in financial losses and harm our reputation.

We face a risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Fidelity Life and Efinancial may become subject to class actions and regulatory actions or may become subject to individual lawsuits relating, among other things, to sales or underwriting practices, payment of contingent or other sales commissions, claims payments and procedures, product design, disclosure, administration, additional premium charges for premiums paid on a periodic basis, interest crediting practices, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against Fidelity Life or Efinancial may seek very large or indeterminate amounts, including punitive and treble damages, which may remain unknown for substantial periods of time.

From time to time, Fidelity Life is subject to regulatory review and is currently under an examination by various state treasurers relating to our escheat practices for unclaimed life insurance death benefits. While we believe our practices comply with applicable law, these practices have come under increased scrutiny by state regulatory bodies. State insurance regulators, treasurers and comptrollers are requesting life insurance companies to report on their escheat practices and procedures for tracking and identifying claims that became payable by death or other insured events but were not paid because no claim was presented to the company for payment. As a result of these investigations, regulators are routinely looking to adopt regulations that would require insurance companies to perform regular checks against the Social Security Death Master File, which we currently conduct, or review equivalent sources, as well as require insurance companies to collect more information needed to track policyholders, account holders and beneficiaries. It is possible that these requests by the state regulators may result in payment to beneficiaries, escheatment of funds deemed abandoned under state laws and changes to our escheat practices and procedures.

From time to time, the Illinois Department of Insurance has inquired regarding the levels of our statutory capital and surplus. Fidelity Life is required under Illinois law to maintain minimum statutory capital and surplus of \$1.5 million. Since 2007 when we resumed writing business as a stand-alone company, Fidelity Life's statutory capital and surplus has declined from \$275.2 to \$121.9 million at December 31, 2018. This decline is due principally to surplus strain from writing new business, which requires us to set aside a portion of surplus for each policy written to fund our reserves for claims, from our acquisition of and investment in Efinancial, and from our operating costs exceeding our revenues. While Fidelity Life's current level of statutory capital and surplus exceeds the level at which the Illinois Department of Insurance would be authorized to take any action against it, if Fidelity Life were to suffer a significant decline in the level of its statutory capital and surplus, the Illinois Department of Insurance could take various remedial actions, any of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. See "– Risks Relating to our Insurance Segment—A significant decline in Fidelity Life's risk-based capital could limit its ability to write new business."

Fidelity Life is also subject to various regulatory inquiries, such as information requests, subpoenas, market conduct exams and books and record examinations, from state and federal regulators and other authorities, which may result in fines, recommendations for corrective action or other regulatory actions. Fidelity Life is currently in the early stages of a routine financial examination by the Illinois Department of Insurance. Current or future investigations, proceedings or regulatory actions could have an adverse effect on our business, results of operations and financial condition. Moreover, even if we ultimately prevail in the investigation, proceeding or regulatory action, we could suffer significant reputational harm, which could have an adverse effect on our business. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal actions or precedents and industry-wide regulations or practices that could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

We rely on the experience of the members of our executive management team and certain key employees and contractors. The loss of any of these individuals could have an adverse impact on our business and our ability to implement our business strategy.

The success of our business is dependent, to a large extent, on our ability to attract and retain key employees including the following members of our executive management team: James E. Hohmann, President and Chief Executive Officer; James C. Harkensee, President and Chief Operating Officer of Fidelity Life; Chris S. Kim, Chief Financial Officer and Treasurer; John Buchanan, Executive Vice President, General Counsel and Secretary; Laura R. Zimmerman, Executive Vice President and Chief Marketing Officer; and Chris Campbell, President and Chief Operating Officer of Efinancial. Our executive management team has extensive experience in the insurance and direct marketing industries. Were we to lose any of these employees, it may be challenging for us to attract a replacement employee with comparable skills and experience in our market niches. We have employment agreements with our executive officers, which are described under “Executive Compensation—Employment Agreements.” We do not currently maintain key man life insurance policies with respect to any member of our executive management team.

In addition, we rely on certain key employees and contractors who have knowledge of our systems and process. The loss of any one or more of these persons could result in a disruption to our business which could have an adverse effect on our financial performance.

We may be required to establish an additional valuation allowance against deferred income tax assets if our business does not generate sufficient taxable income or if our tax planning strategies are modified, which could have a material adverse effect on our results of operations and financial condition.

Deferred income tax represents the tax effect of the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets represent the tax benefit of future deductible temporary differences, operating loss carryforwards and tax credit carryforwards. We periodically evaluate and test our ability to realize our deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In assessing the more likely than not criteria, we consider future taxable income as well as prudent tax planning strategies. Future facts, circumstances, tax law changes and financial accounting or GAAP developments may result in an increase in the valuation allowance. An increase in the valuation allowance could have a material adverse effect on the Company’s results of operations and financial condition.

As of December 31, 2018, we had recorded deferred tax assets of \$22.2 million and a valuation allowance of \$11.5 million, resulting in a net deferred tax asset of \$10.7 million. To the extent we are required to establish an additional valuation allowance against deferred income tax assets, the amount of such valuation allowance would be charged against our net income for the period in which that valuation allowance is established, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

We operate in a heavily state regulated industry, and the prospect exists for further federal involvement in the regulation of insurance companies.

Our business is regulated by government agencies in the states in which we do business, and we must comply with a number of state and federal laws and regulations. Most insurance regulations are intended to protect the interests of current and potential policyholders and customers rather than those of stockholders and other investors in insurance services companies.

State laws and regulations that apply to us include those governing the financial condition of insurers, including standards of solvency, risk-based capital requirements, types, quality and concentration of investments, establishment and maintenance of reserves, required methods of accounting, reinsurance and requirements of capital adequacy, and those

governing the business conduct of insurers, including transactions with affiliates, sales and marketing practices, claim procedures and practices, and policy form content. In addition, state insurance laws require licensing of insurers and their agents. State insurance regulators have the power to grant, suspend and revoke licenses to transact business and to impose substantial fines and other penalties.

We may be unable to comply fully with the wide variety of applicable laws and regulations that are frequently undergoing revision. In addition, we follow practices based on our interpretations of laws and regulations that we believe are generally followed by the insurance industry. These practices may be different from interpretations of insurance regulatory agencies. Moreover, in order to enforce applicable laws and regulations or to protect policyholders, insurance regulatory agencies have relatively broad discretion to impose a variety of sanctions, including examinations, corrective orders, suspension, revocation or denial of licenses and the takeover of insurance companies. As a result, if we fail to comply with these laws and regulations, state insurance departments can exercise a range of remedies from the imposition of fines to being placed in rehabilitation or liquidation. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives. Changes in the level of regulation of the insurance industry or changes in laws or regulations or interpretations of laws and regulations by regulatory authorities could adversely affect our ability to operate our business.

We are subject to various accounting and financial requirements established by the National Association of Insurance Commissioners (“NAIC”) as adopted by the states in which we operate. In addition, state regulators and the NAIC continually re-examine existing laws and regulations, with an emphasis on insurance company solvency issues and fair treatment of policyholders. Insurance laws and regulations could change or additional restrictions could be imposed that are more burdensome. Because these laws and regulations are for the protection of policyholders, any changes may not be in your best interest as a stockholder.

Currently, the U.S. federal government does not directly regulate the insurance business. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) established a Federal Insurance Office (“FIO”) within the Department of the Treasury. The FIO initially is charged with monitoring all aspects of the insurance industry (other than health insurance, certain long-term care insurance and crop insurance), gathering data, and conducting a study on methods to modernize and improve the insurance regulatory system in the United States. On December 12, 2013, the FIO issued a report entitled “How to Modernize and Improve the System of Insurance Regulation in the United States” (the “Report”), which stated that, given the “uneven” progress the states have made with several near-term state reforms, should the states fail to accomplish the necessary modernization reforms in the near term, “Congress should strongly consider direct federal involvement.” The FIO continues to support the current state-based regulatory regime, but will consider federal regulation should the states fail to take steps to greater uniformity (e.g., federal licensing of insurers). Each year the FIO also releases an annual report on the insurance industry (“Annual Report”), with its latest Annual Report dated September 2018. The Annual Report provided a set of recommendations along with providing an overview of the financial performance and condition of the U.S. insurance industry and outlining a number of insurance industry and regulatory developments from the past year. We cannot predict what impact, if any, this guidance or any new legislation would have on our business, financial condition and results of operations.

In addition, federal legislation and administrative policies in several areas can significantly and adversely affect the insurance industry. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially impact our business and increase our direct and indirect compliance and other expenses of doing business, thus having a material and adverse effect on our business, financial condition, results of operations, and prospects.

The life insurance industry in which we operate is highly competitive, which may limit our ability to maintain and increase our market share of our target market.

Competition in the life insurance industry is based on many factors. These factors include the perceived financial strength of the insurer, premiums charged, policy terms and conditions, services provided, reputation, financial ratings assigned by independent rating agencies and the experience of the insurer in the line of insurance to be written.

In our insurance segment, certain of the insurance companies we compete against have substantially greater financial, technical and operating resources than we have. Many of the lines of insurance we write are subject to significant price competition. In addition, there are many competitors that participate in the non-medically underwritten segment of the life

insurance industry. As new competitors enter the non-medically underwritten market using predictive analytics, they may price aggressively to capture market share. If our competitors price their products aggressively, our ability to grow or renew our business may be adversely affected. We pay producers on a commission basis to produce business. Some of our competitors may offer higher commissions or offer insurance products at lower premium rates. Increased competition could adversely affect our ability to attract and retain business and thereby adversely affect our business, financial condition or results of operations.

In our agency segment, we compete for access to talented sales representatives and for quality sales prospects, or leads. Much of the competition for talent involves agent recruitment. Efinancial's competitors include SelectQuote, AIG Direct, and Health I.Q. among others. Certain of our competitors in the direct distribution call center industry have been in business longer than Efinancial and are more established and have greater resources to hire insurance agents and develop new technologies. Also, agents choose to work through agencies based on a number of factors including marketing service and support, technology tools, the insurance company that the agency represents, sales commission structure, and the number and quality of sales leads. If our competitors provide the agents with better technology, pay higher commissions or provide access to insurance companies and products that are perceived to be better than those we can provide, our ability to attract and retain agents may be reduced, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Recently enacted U.S. tax legislation may adversely affect our business, results of operations, financial condition and cash flow.

On December 22, 2017, the President signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that significantly reforms the Internal Revenue Code of 1986, as amended (the "Code"). The Tax Act, among other things, contains significant changes to corporate taxation, including a permanent reduction of the corporate income tax rate, a partial limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, elimination of net operating loss carrybacks, an indefinite net operating loss carryforward, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and the modification or repeal of many business deductions and credits. The Tax Act is complex and far-reaching. There may be material adverse effects resulting from the Tax Act that could have an adverse effect on our business, results of operations, financial condition and cash flow.

We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations.

Section 382 of the Code operates as an anti-abuse rule, the general purpose of which is to prevent trafficking in tax losses, but which can apply without regard to whether a "loss trafficking" transaction occurs or is intended. Similar rules apply to capital loss carryforwards. Broadly, these rules are triggered when an "ownership change"—generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three-year period—occurs and the company is a "loss" corporation. A company is a loss corporation if, at the date of the ownership change, the company has a tax loss carryforward which may be used in a tax year after the ownership change ("pre-change loss"). The Company meets the definition of a loss corporation.

When applicable, the amount of the taxable income for any post-change year which may be offset by a pre-change loss is subject to an annual limitation. Any portion of an annual limitation not used in one year, may be carried over to a subsequent year. Generally, the annual limitation is derived by multiplying the fair market value of the stock of the taxpayer immediately before the date of the ownership change by the applicable federal long-term tax-exempt rate. In addition, to the extent that a company has a net unrealized built-in loss or deduction at the time of an ownership change, Section 382 of the Code limits the utilization of any such loss or deduction which is realized and recognized during the 5-year period following the ownership change. Following the completion of this offering, we expect that these limitations would apply, which could substantially limit our ability to utilize our net operating loss carryforwards.

The Tax Act's limitation of the deduction for net operating losses to 80% of current year taxable income and its elimination of the deduction for net operating loss carrybacks could further limit our ability to use net operating losses to offset future U.S. federal income.

Risks Relating to our Agency Segment

Our agency segment is focused primarily on a single distribution method – direct sales through call centers. Many Middle Market consumers prefer alternative ways of purchasing insurance, which could have a material adverse effect on our ability to effectively penetrate our target Middle Market.

The vast majority of Efinancial's sales are made through its call center distribution channel. Our agency segment does not currently actively engage in significant sales activity through other means of distribution, such as over the internet or in person. Market research indicates that many Middle Market consumers prefer to purchase insurance in person rather than over the phone. As a result, our reliance on telephonic sales could adversely affect our results of operations. Additionally, our ability to successfully convert telephonic sales leads to actual sales could be negatively impacted to the extent that competitors enter the Middle Market using other sales methods that are preferred by consumers.

Our agency segment is dependent on having a large quantity of quality insurance sales leads to support our sales of insurance policies and, if we are unable to obtain these insurance sales leads in a cost-effective manner, our business will be adversely affected.

Our retail call center operations require access to a large quantity of quality insurance sales leads to keep our retail call center agents productive. We are dependent upon a limited number of lead suppliers from whom we obtain leads to support our sales of insurance policies. For the year ended December 31, 2018, 78.3% of our applications came from leads that were sourced from our top four lead suppliers. The loss of one or more of these lead suppliers could significantly limit our ability to access our target market for selling our policies.

Our business is dependent on our ability to successfully convert sales leads to actual sales of insurance policies. If our conversion rate does not meet expectations, our business may be adversely affected.

Obtaining quality insurance sales leads is very important to our business, but our ability to convert our leads to in-force policies is also a key to our success. Many factors impact our conversion rate, including the quality of our leads and agents. If lead quality diminishes, our conversion rates will be adversely affected. Competition in the marketplace also impacts conversion rates. If competition for Middle Market consumers increases, our conversion rates may decline, even absent a degradation in lead quality. Conversion rates are also positively impacted by tenured, well-trained sales agents. If agent turnover increases, leading to a decline in average tenure, conversion rates may be adversely impacted. Finally, if we are unable to recruit, train and retain talented agents, our ability to successfully convert sales leads may be adversely impacted. Any adverse impact on our conversion rate could cause a material and adverse effect on our business, financial condition, results of operations, and prospects.

If we are unable to hire, develop and retain well-qualified individuals to staff our retail call centers, the growth of our agency segment will be adversely affected.

Our business depends on our ability to hire, develop and retain qualified employees. Our ability to grow and expand our agency business depends on our being able to hire, develop and retain sufficient numbers of employees to staff our retail call center operations. Our success in recruiting individuals to become licensed insurance agents to staff our retail call centers can depend on factors outside of our control. These factors include the general economy and the strength of the local employment markets, including the availability of alternative forms of employment. The call center work environment is challenging and demanding. Agent turnover is a significant issue we face in our call centers, particularly among less tenured agents and agents in training. Our turnover rates can fluctuate for several reasons, including the quality of the agents we are able to recruit and train, which is impacted by the factors discussed above. In periods when we are unable to recruit agents who perform well in our call centers, we tend to experience higher turnover rates. The productivity of our retail call center agents is influenced by their average tenure at our retail call centers. Without qualified individuals to serve in our consumer facing roles, our agency segment may produce less commission revenue, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Efinancial relies on third party insurance companies in addition to Fidelity Life to provide insurance products for sale to our customers. The termination of our relationship with a third party carrier could adversely affect our business.

Our agency segment also generates revenue from the sale of insurance products issued by unaffiliated insurance companies, or carriers. For the year ended December 31, 2018, Efinancial derived approximately 74% of its commission revenue from Fidelity Life and approximately 26% from all other sources. We typically enter into contractual agency relationships with carriers that are non-exclusive and terminable on short notice by either party for any reason.

Carriers may be unwilling to allow us to sell their existing or new insurance products for a variety of reasons, including for regulatory reasons, as a result of a reluctance to distribute their products through call centers or because they do not want to be associated with our brand. In addition, it is possible that Efinancial's relationships with the carriers it serves could be adversely affected by Efinancial's affiliation with Fidelity Life, which competes with many of these carriers. The termination of our relationship with a carrier could reduce the variety of insurance products we offer, which could harm our business. We would also lose a source of commissions for future sales or incur additional costs to implement arrangements with other carriers to replace the commission revenue from the terminated carrier. Our business could also be harmed if in the future we fail to develop new carrier relationships and are unable to offer consumers a wide variety of insurance products. Any decline in commission revenue would adversely impact our business and the loss of any of our carriers that account for a significant portion of our commission revenues could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

We are subject to extensive regulation regarding telephone and email solicitation, which could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business.

Federal and state laws and regulations in the jurisdictions in which we conduct business govern personal privacy, telephone and email solicitations and data privacy. From time to time we are subject to actions brought under these statutes. Future rules and laws may require us to modify our operations or service offerings, and these regulations may limit our activities or significantly increase the cost of regulatory compliance, which could adversely affect our results of operations.

There are numerous state statutes and regulations governing phone and email solicitation activities that apply or may apply to us. For example, some states place restrictions on the methods and timing of telephone solicitation calls and require that certain mandatory disclosures be made during the course of a call. We specifically train our retail call center sales agents to handle calls in an approved manner, and such compliance training is costly and time consuming.

Any failure on our part to comply with the legal requirements applicable to companies engaged in phone or email solicitation activities could result in our being subject to regulatory action or litigation. The possibility for significant regulatory fines, penalties, damages or restrictions imposed by regulatory agencies or by private plaintiffs in litigation could have a material and adverse effect on our business, financial condition, results of operations, and prospects. See "Business—Regulation."

If we are not able to continue to generate data and click-through revenue from our eCoverage web properties, our marketing costs will increase, which will adversely affect the results of our agency segment.

Efinancial's marketing expenses are a significant part of our total cost of doing business. To reduce our customer acquisition costs, we contract with third party marketers who contact consumers, some of whom will click through to one of eCoverage's landing pages. We are able to generate data and/or click-through revenue when those leads click through to our landing pages to access information about life insurance options. For the year ended December 31, 2018, we generated \$6.2 million from data and click-through revenue. We rely on data and click-through revenue to reduce our overall marketing expenses.

Risks Relating to our Insurance Segment

The actual experience of our insurance products can differ from the assumptions used to develop and price our insurance products, which can cause us to experience losses from these products.

To develop our insurance products we make assumptions regarding policy persistency, mortality and other benefit experience, the level of investment income that will be earned from investing the product cash flows, and our expenses to underwrite, sell and service the policies. Additionally, we make assumptions about the characteristics of our insureds, including age, sex, underwriting class and coverage amounts purchased. These assumptions, along with our anticipated profit levels, are used to develop the premiums that we will charge customers for our products. In many cases, these premium rates are level and cannot be raised during the initial term of the policy. Our operating results may be materially adversely impacted by variances between our pricing assumptions and our actual experience.

Our key product pricing assumptions are based on a combination of industry studies and other third party data as well as our own experience. We regularly monitor our experience and can adjust premium rates on new business sales should the actual results indicate trends or results that we believe need to be reflected. Many of the insurance products that we offer, such as our **RAPID**Decision® Life and other quick-issue products, are based on or contain innovative product features that we believe provide market advantages. For certain of these innovations the available industry experience may not be applicable

or may require higher levels of judgment to develop our premium rates. For example, the **RAPID**Decision® underwriting process can be completed in a single session and without a medical exam (including approval of all-cause coverage for the full policy amount for our **RAPID**Decision® policies for qualified customers). These features can make the underwriting process less reliable and subject to greater variance than products underwritten through processes with more established industry experience. If the actual product experience for any of these areas varies adversely from the assumptions used to price our products, it could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Our non-medically underwritten insurance products focused on the Middle Market are subject to a higher risk of lapse than more traditional life insurance products, which could have an adverse effect on our insurance segment.

A significant portion of the life insurance policies that we issue are non-medically underwritten, including our **RAPID**Decision® product line. In our experience, policies of this type have a higher lapse rate than more traditional life insurance products. We believe this higher lapse rate can be attributed to, among other factors, the following:

- the lack of an investment component in term life insurance products compared with whole life policies;
- higher premium rates than medically underwritten coverage alternatives;
- the greater sensitivity of Middle Market consumers to the cost of life insurance in a challenging economic environment compared with more affluent consumers; and
- the purchase of a non-medically underwritten product is more likely to be an impulsive purchase than the purchase of a fully medically underwritten product.

While the risk of higher lapse rates is contemplated in our product pricing, if actual policy lapse rates exceed the lapse rates assumed in pricing our products, we will experience an accelerated write-off of our deferred acquisition costs and lower premium revenues, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Because our acquisition costs for writing a policy exceed the premiums we receive in the first policy year, the early lapse or termination of a policy may cause us to suffer a loss on that policy.

The amount of commission, underwriting and issue costs payable upon the sale of a life insurance policy exceed the amount of premiums receivable during the first policy year or longer. As a result, our sale of a new policy generally results in our incurring a loss on that policy until we have received enough premium payments to offset our policy acquisition expenses. Because of high front-loaded commissions and other expenses, it can take several years for new policies to become profitable. If a policy terminates or lapses before we are able to recover our costs for producing that policy, we will incur a loss on that policy. For example, we have in the past experienced higher lapse rates than expected on certain products, which caused us to incur losses on the policies that lapsed. If we experience higher than expected lapse rates, there could be a material and adverse effect on our business, financial condition, results of operations, and prospects.

We perform annual testing for premium deficiencies on our blocks of business, the results of which could require us to write down deferred acquisition cost balances or increase reserves.

For traditional life business, a premium deficiency can exist if the discounted present value of future premiums plus the current reserve, reduced by unamortized acquisition expenses, is not sufficient to cover the present value of anticipated future claims and related settlement and maintenance costs. When a premium deficiency is indicated we will write down any deferred acquisition cost balance to the point where the premium deficiency is eliminated. If the deferred acquisition cost is fully written down but the premium deficiency is not eliminated, we will record additional reserves on that block of policies. If we experience significant premium deficiencies, there could be a material and adverse effect on our business, financial condition, results of operations, and prospects.

Our investment performance may suffer as a result of adverse capital market developments, which may adversely affect our financial results and ability to conduct business.

We allocate a portion of the insurance premiums we receive from policyholders to fund reserves, which are invested until these amounts are needed to pay insured claims. We invest excess corporate cash in various short term and other investments to earn incremental income. As of December 31, 2018, we held investments with an estimated fair value of \$368.1 million and had net investment income of \$15.1 million for the year then ended.

Our investments are subject to a variety of risks that are outside of our control, including risks relating to general economic conditions, market volatility, the extended low interest environment that currently exists, interest rate fluctuations, liquidity risk and credit risk. For example, an unexpected increase in the number or level of benefits incurred with claims may force us to liquidate securities in order to pay such claims. If the duration of our investments does not match our need for liquidity, we may be forced to liquidate investments prior to maturity at a significant loss to cover such payments. Investment losses could significantly decrease our asset base and capital position, thereby adversely affecting our ability to conduct business.

In the current economic environment, we are experiencing interest rates that have remained at near historically low levels across all fixed income investment markets. The effective yield rate of our fixed income investments has declined as currently available interest rates on investments purchased are lower than the rates on our maturing investments. Low current interest rates have resulted in unrealized holding gains recorded as “Other Comprehensive Income.” However, if interest rates were to rise, it is possible that the market value of the securities and other investments we hold may decline, negatively affecting our earnings and capital level through realized and unrealized investment losses. In that event we could experience increased surrender of direct and assumed annuities, which we would have to fund through the sales of securities, possibly at a loss. If market interest rates remain at low levels our investment returns will continue to decline and our investment earnings will be reduced. This could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

Some of our investments are relatively illiquid and are in asset classes that have been experiencing significant market valuation fluctuations.

We hold certain assets that lack liquidity, such as privately placed fixed income securities, commercial mortgage loans, policy loans and limited partnership interests. These asset classes represented 18% of the carrying value of our total cash and invested assets as of December 31, 2018. If we require significant amounts of cash on short notice in excess of normal cash requirements, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported fair values of our relatively illiquid types of investments do not necessarily reflect the current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we would be able to sell them for the prices at which we have recorded them and we might be forced to sell them at significantly lower prices.

If we are unable to enter into reinsurance transactions on a cost-effective basis, our insurance segment will be less profitable and subject to greater risk and we may be unable to expand our business because of capital limitations.

We rely on the availability of reinsurance to manage the risks of our insurance products and to manage the level of capital required to write new business. Reinsurance is the practice of transferring part of an insurance company’s liability under an insurance policy and the premium associated with that insurance policy to another insurance company. We enter into reinsurance contracts to limit and manage the amount of risk we retain relating to the insurance policies we issue. This reduction in risk is intended to reduce volatility in year to year operating results. For example, we limit our retention of exposure on any one life under any insurance policy or policies we issue to a maximum of \$300,000. Our ability to write policies in excess of this amount is therefore typically dependent on the availability of reinsurance for the excess amount of the issued policy at commercially reasonable rates. We also use reinsurance to manage the level of capital required to write new business.

The availability and cost of reinsurance are subject to current market conditions and our experience and may vary significantly over time. Any decrease in the amount of reinsurance available will increase the amount of loss that we retain and could decrease our regulatory capital position. We currently rely on our reinsurance arrangements with Hannover and Swiss Re to continue to write our new business. Should either or both of those reinsurers cease to reinsure our business, or should we be unable to obtain replacement reinsurance or otherwise be unable to obtain reinsurance coverage in desired amounts, our inability to obtain such reinsurance could increase the amount of risk that we retain, expose our financial results to more year to year variability and limit the amount of new business that we can write. If the cost of reinsurance coverage increases, we may charge higher premiums, and that could reduce future sales. Alternatively, we may decide to absorb all or a part of the increased reinsurance costs, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects. See also “—A significant decline in Fidelity Life’s risk-based capital could limit its ability to write new business.”

Should any of our reinsurers fail to meet their contractual commitments to us, our financial condition and results of operations could be adversely affected.

The reinsurance contracts that we enter into to help manage our risks require us to pay premiums to the reinsurance carriers who will in turn reimburse us for a portion of covered policy claims. In many cases, a reinsurer will be called upon to reimburse us for policy claims many years after we paid insurance premiums to the insurer. We remain liable to each of our policyholders for their claims, and we rely on our reinsurers to reimburse us for that portion of a claim for which it is responsible. Accordingly, we are subject to loss and credit risk if our reinsurers are not capable of fulfilling their financial obligations to us. We purchase reinsurance coverage from a number of reinsurers. We do not have any in-force reinsurance agreements which are open to new business with companies that have an A.M. Best financial rating lower than “A-” (Excellent), which is the fourth highest of fifteen ratings.

The reinsurance contracts covering our life insurance policies are long term contracts mirroring the term of the underlying life insurance contracts. During the contract term, the financial position of our reinsurers can deteriorate and our reinsurers could become insolvent or otherwise not be able to reimburse us for ceded claims. Should the financial condition of a reinsurer to which we have ceded premiums deteriorate, it may be unable to reimburse us for losses under its contractual obligations to us. This could materially adversely affect our results of operations and financial condition. As of December 31, 2018, we had reinsurance recoverables of \$136.6 million.

A significant decline in Fidelity Life’s risk-based capital could limit its ability to write new business.

Illinois imposes the risk-based capital requirements developed by the National Association of Insurance Commissioners (“NAIC”) that require insurance companies to calculate and report information under a risk-based capital formula. These risk-based capital requirements attempt to measure statutory capital and surplus needs based on the risks in an insurance company’s mix of products and investment portfolio.

Fidelity Life’s statutory capital and surplus has declined as we continue to sell new insurance policies each year. Because the amount of commission, underwriting and issue costs payable upon the sale of a life insurance policy exceed the amount of premiums receivable during the first policy year, it can take several years for new policies to become profitable. In addition, mandated statutory policy reserve methods, including the model regulation entitled “Valuation of Life Insurance Policies” commonly known as “Regulation XXX”, require that we increase our reserves over the first several years of the policy term. Should statutory capital and surplus continue to decline relative to risk-based capital, we may have to slow the rate of new sales or enter into additional reinsurance arrangements, both steps that could reduce our ability to generate future profits.

To reduce the future impact on regulatory capital from Regulation XXX and help stabilize our regulatory capital position in light of anticipated sales increases, we entered into a reserve financing agreement with Hannover Re effective July 1, 2013, which was amended and restated as of July 1, 2016. As of December 31, 2018, the reserve credit under this arrangement was approximately \$88.1 million. If an insurance regulator were to determine that this agreement did not comply with applicable regulatory requirements, we could lose all or a portion of the reserve credit under this agreement. In that event, our regulatory capital would be significantly reduced and we may be unable to continue writing new business at our anticipated rate.

The failure of Fidelity Life to meet its applicable risk-based capital requirements or minimum capital and surplus requirements, including the effects of Regulation XXX, could also subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in risk-based capital ratios could also limit the ability of Fidelity Life to make dividends or distributions to us, and could be a factor in causing A.M. Best to downgrade Fidelity Life’s financial strength rating, which could have a material and adverse effect on our business, financial condition, results of operations, and prospects. See “Business—Regulation—Risk-Based Capital (RBC) Requirements.”

A significant decline in Fidelity Life’s statutory earnings could limit its ability to write new business.

Fidelity Life’s plans call for significant growth in a capital-intensive business. Over time, this will result in statutory operating losses, which on a sustained basis may need to be addressed by limiting growth or changing product mix, and could be a factor in causing A.M. Best to downgrade Fidelity Life’s financial strength rating. If we have to limit our writing of new business, it could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

A downgrade in Fidelity Life's A.M. Best rating could affect our ability to write new business or could limit the sale of our insurance products in certain distribution channels.

Fidelity Life has been assigned a financial strength rating of "A-" (Excellent) by A.M. Best, an independent rating agency that specializes in ratings for the insurance industry. The financial strength rating assigned by A.M. Best to Fidelity Life is subject to periodic review and may be upgraded or downgraded by A.M. Best as a result of changes in the views of the rating agency or positive or adverse developments in Fidelity Life's business. A.M. Best ratings are based in part upon statutory accounting reports submitted to the NAIC and all states in which we do business. If A.M. Best were to downgrade the financial strength rating assigned to Fidelity Life, it could limit our ability to write certain types of insurance or participate with certain distribution groups or consumers. As a result, we could experience a decline in premiums written that could have a material and adverse effect on our business, financial condition, results of operations, and prospects.

We are reliant on third party service providers to conduct our insurance business. If the availability and quality of the services provided by these parties becomes compromised, our operations could be adversely affected.

Fidelity Life uses third parties to provide a number of administrative services related to our insurance segment. These third party services include all administration of in-force policies (including premium billing, commission payment, and claims payment), management of our investment portfolios, payroll processing and payroll tax payments, tax return preparation and administration of reinsurance contracts. We also outsource most of the underwriting of individual insurance policies. The use of third party services provides cost advantages and allows us to access specialized resources on a variable cost basis.

The use of third party service providers requires a high level of oversight by management. Use of third parties makes us dependent on the availability and the quality of these services. We do not currently have the internal capability to perform many of the services. There is no assurance that these key service providers will stay in business or will maintain acceptable service levels, due to circumstances beyond our control or changes in the management or priorities of these third party service providers.

Risks Relating to this Offering

The sale of a minimum of 14,875,000 shares is necessary to complete the conversion and the offerings and does not indicate that sales have been made to investors who have no financial or other interest in the offering, and the sale of the minimum number of shares should not be viewed as an indication of the merits of the offering.

The standby purchaser has agreed to purchase such number of shares in the standby offering as will result in at least the minimum number of shares being sold in the offerings. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

The Internal Revenue Service may disagree with our position that the subscription rights have no value, and therefore eligible members may be deemed to have taxable income equal to the fair market value of the subscription rights granted to them in excess of any tax basis in the membership rights exchanged for such subscription rights.

Generally, the U.S. federal income tax consequences of the receipt, exercise, and expiration of subscription rights are uncertain. We intend to take the position that, for U.S. federal income tax purposes, eligible members will be treated as transferring their membership interests in Members Mutual Holding Company in exchange for subscription rights to purchase Vericity common stock. Any gain realized by an eligible member as a result of the receipt of a subscription right that is determined to have ascertainable fair market value on the date of the deemed exchange must be recognized and included in the eligible member's gross income for federal income tax purposes, whether or not the subscription right is exercised.

Boenning & Scattergood, Inc., which we have engaged to provide us with a valuation of the consolidated pro forma market value of Members Mutual, has advised us that it believes the subscription rights will not have any fair market value. Boenning & Scattergood, Inc. has noted that the subscription rights will be granted at no cost to recipients, will be nontransferable, nonnegotiable and of short duration, and will provide the recipient with the right only to purchase shares of our common stock at a price that is equal to the estimated pro forma market value of the Company, which will be the same price at which any unsubscribed shares will be sold to the standby purchaser. Nevertheless, Boenning & Scattergood, Inc. cannot assure us that the Internal Revenue Service will not challenge its determination that the subscription rights will not have any fair market value or that such challenge, if made, would not be successful. If the subscription rights do have value,

we note that there also exists uncertainty regarding the determination of the number of subscription rights deemed issued to each eligible member because such calculation depends on the number of eligible members who ultimately exercise subscription rights, how many subscription rights each eligible member exercises and how much the eligible members' subscription rights may be cut back in the event of an oversubscription. You should consult your tax advisors with respect to the potential tax consequences to you of the receipt, exercise and expiration of subscription rights. For more information see "Federal Income Tax Considerations—Tax Consequences of Subscription Rights."

The broad valuation range of the subscription offering and the rights of the standby purchaser make your percentage ownership of Vericity uncertain.

The number of shares offered in the subscription offering is based on Boenning & Scattergood, Inc.'s valuation of the consolidated pro forma market value of Members Mutual. Boenning & Scattergood, Inc. has determined that, as of April 11, 2018, the estimated consolidated pro forma market value of Members Mutual is \$175 million, and the range of value of the total number of shares of Vericity common stock to be issued in the offering is between \$148.8 million and \$201.3 million.

There is a difference of approximately \$52.5 million between the minimum and maximum of the offering range. The aggregate dollar value of the shares sold in the subscription offering must be within this estimated valuation range. As a result, the percentage interest in Vericity that a purchaser of shares in this offering will have is greater if 14,875,000 shares are sold than if 20,125,000 shares are sold.

The amount of the net proceeds from the offerings is uncertain, and we will have broad discretion over the use of the net proceeds from the offerings.

The amount of proceeds from the sale of common stock in the offerings will depend on the total number of shares actually sold in the subscription offering, the community offering and the standby offering, for which a higher commission percentage is applicable. As a result, the net proceeds from the sale of common stock cannot be determined until this offering is completed. However, because of the standby purchaser's commitment, we expect to receive net proceeds of at least \$136.8 million. See "Use of Proceeds."

Risks Relating to Ownership of Our Common Stock

Upon completion of the offerings, we may be a "controlled company" within the meaning of Nasdaq Stock Market ("Nasdaq") rules, and as a result, would qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

If the standby purchaser acquires a majority of the shares of our common stock in the standby offering, the standby purchaser will control a majority of the voting power of our outstanding common stock and will hold a controlling interest in us. As a result, we would qualify as a "controlled company" within the meaning of the corporate governance rules of Nasdaq. "Controlled companies" under those rules are companies of which more than 50% of the voting power is held by an individual, a group or another company. If we become a "controlled company" upon the completion of the offerings, we will avail ourselves of the "controlled company" exception under the Nasdaq rules, in which event we will not be required not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent Directors, or otherwise have director nominees selected by vote of a majority of the independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

If the standby purchaser acquires a majority of our shares in the standby offering and we become a "controlled company," you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

We cannot assure you that we will declare a special dividend, or that a special dividend will be beneficial to stockholders if paid; you may owe tax on a special dividend if one is paid, and you will not receive a special dividend if one is declared if you sell your stock prior to the ex-dividend date set with respect to such dividend.

If as a result of the capital needs assessment described elsewhere in this prospectus, management determines that the amount of capital retained at Vericity exceeds the reasonable current and near term projected operating capital needs, management may recommend to the Board that it consider declaration of a special dividend in an amount not to exceed any such excess capital. If a special dividend is declared by the Board, the payment of any special dividend could lead to a decline in our stock price in a per share amount equal to or exceeding the amount of the per share special dividend paid, negatively impacting stockholders' investments. In addition, distributions with respect to our common stock, including any special dividend, generally will be taxable to the recipient as a dividend to the extent of our accumulated earnings and profits (as determined under U.S. tax principles). Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of your tax basis in our common stock (on a dollar-for-dollar basis) and thereafter as capital gain. Also, if a special dividend is declared, a stockholder who buys shares in the Company on or after the ex-dividend date set with respect to such dividend, or sells its shares prior to the ex-dividend date, will not be eligible to receive such special dividend.

We are an “emerging growth company” and a “smaller reporting company” and we intend to take advantage of reduced disclosure and governance requirements applicable to emerging growth companies and smaller reporting companies, which could result in our common stock being less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example:

- We will not be required to comply with the auditor attestation requirement on the effectiveness of our internal control over financial reporting contained in Section 404(b) of the Sarbanes-Oxley Act;
- We will be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;
- We will not be required to hold a non-binding advisory vote on executive compensation and golden parachute arrangements not previously approved;
- We will be exempt from certain audit requirements of the Public Company Accounting Oversight Board, unless the SEC determines otherwise; and
- We will take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, as a result of which our financial statements may not be comparable to those of companies that comply with such new or revised accounting standards.

In addition, based on the maximum number of shares that will be outstanding after the offerings, we will have a public float of less than \$250 million and therefore will qualify as a smaller reporting company under the rules of the SEC. As a smaller reporting company we are able to take advantage of reduced disclosure requirements, such as simplified executive compensation disclosures and reduced financial statement disclosure requirements in our SEC filings. Decreased disclosures in our SEC filings due to our status as an emerging growth company or smaller reporting company may make it harder for investors to analyze our company's results of operations and financial prospects.

We cannot predict if investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of the reporting exemptions applicable to emerging growth companies until we are no longer an emerging growth company, which in certain circumstances could be for up to five years, and may take advantage of the reporting exemptions applicable to a smaller reporting company until we are no longer a smaller reporting company, which status would end once we have a public float greater than \$250 million. In that event, we could still be a smaller reporting company if our annual revenues were to decline below \$100 million and we have a public float of less than \$700 million. Shares of our common stock held by our directors, executive officers and other affiliates (which may include the standby purchaser) would not be counted in determining our public float. See “Prospectus Summary—Implications of Being an Emerging Growth Company and Smaller Reporting Company.”

The valuation of our common stock in this offering is not necessarily indicative of the future price of our common stock, and the price of our common stock may decline after this offering.

There can be no assurance that shares of our common stock will be able to be sold in the market at or above the \$10.00 per share initial offering price in the future. The final aggregate purchase price of our common stock sold in this offering will be based upon an independent appraisal. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The valuation is based on estimates and projections of a number of matters, all of which are subject to change from time to time. See “The Conversion and Offering—The Appraisal” for the factors considered by Boenning & Scattergood, Inc. in determining the appraised value.

The trading price of our common stock may be volatile and subject to wide price fluctuations in response to various factors, including:

- market conditions in the broader stock market in general;
- The standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors and may acquire a majority of the shares sold in the offerings;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- the level of any potential share repurchases and the effect of such repurchases on our per share financial data;
- changes in interest rates;
- departure of key executives;
- introduction of new services or announcements of significant contracts, acquisitions or capital commitments by us or our competitors;
- regulatory or political developments;
- issuance of new or changed securities analysts’ reports or recommendations, or the announcement of any changes to our A.M. Best rating;
- availability of capital;
- litigation and government investigations;
- legislative and regulatory developments;
- future sales of our common stock;
- investor perceptions of us and the life insurance industry; and
- economic conditions.

These and other factors may cause the market price of our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock.

In addition, the stock market has in the past experienced substantial price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of companies. As a result, the trading price of shares of our common stock may be below the initial public offering price, and you may not be able to sell your shares at or above the price you pay to purchase them.

Anti-takeover provisions contained in our amended and restated certificate of incorporation, which we refer to as our charter, and our amended and restated bylaws, which we refer to as our bylaws, as they will be in effect upon completion of this offering, as well as provisions of Delaware and Illinois law, may render more difficult or discourage takeover attempts on Vericity that you may believe are in your best interests or that might result in a substantial profit to you.

The Illinois Insurance Code requires prior approval by the Illinois Department of Insurance for a change of control of an insurance holding company. Under Illinois law, the acquisition of 10% or more of the outstanding voting stock of an insurer or its holding company is presumed to be a change in control. Approval by the Illinois Department of Insurance may be withheld even if the transaction would be in the stockholders’ best interest if the Illinois Department of Insurance determines

that the transaction would be detrimental to policyholders. In addition, for 5 years following the effective date of the conversion, no person or a group of persons acting in concert (other than the standby purchaser) may acquire more than 5% of the capital stock of Vericity in this offering or any other public offering without the approval of the Illinois Department of Insurance.

As a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. Specifically, we are subject to Section 203 of the General Corporation Law of the State of Delaware (the “DGCL”). Section 203 may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time after such ownership interest is acquired, unless such acquisition was approved by our board of directors. The standby purchaser’s acquisition of more than 15% of our common stock was approved by the board of directors and therefore is not subject to this restriction.

Furthermore, unless we otherwise consent in writing to the selection of an alternative forum, the sole and exclusive forum for any actions asserting claims brought against or on behalf of the Company, including any derivative action, any action for breach of fiduciary duty owed to the Company or the Company’s stockholders, any action arising under the DGCL, our charter or bylaws, or any action governed by the internal affairs doctrine, shall be a state or federal court located within the State of Delaware, in all cases subject to the court having personal jurisdiction over the indispensable parties named as defendants; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. We believe these provisions may benefit us by providing increased consistency in the application of Delaware law by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, these provisions may have the effect of limiting a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with directors, officers or other employees, and may discourage lawsuits with respect to such claims. The enforceability of similar choice of forum provisions has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in such action.

Additionally, our charter and bylaws contain provisions that could have the effect of rendering more difficult or discouraging a change in control. These provisions:

- contain advance notice procedures with which stockholders must generally comply to nominate candidates to our board or to propose matters to be acted upon at a meeting of stockholders, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of us; and
- authorize our board of directors, without stockholder approval, to amend our bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt.

These provisions of our charter and bylaws, alone or together with certain provisions of Illinois law and Delaware law, could serve to entrench management and may discourage a takeover attempt that you may consider to be in your best interest or in which you would receive a substantial premium over the current market price. These provisions may make it extremely difficult for any one person, entity or group of affiliated persons or entities to acquire voting control of Vericity, with the result that it may be extremely difficult to bring about a change in the board of directors or management. Some of these provisions also may perpetuate present management because of the additional time required to cause a change in the control of the board of directors.

The standby purchaser will obtain control over the election of a majority of our board of directors, may not always exercise its control in a way that benefits, and may have interests that differ from, our public stockholders, and if it acquires a majority of our shares, it will be able to approve most corporate actions requiring stockholder approval by written consent.

Under the terms of the standby purchase agreement and our bylaws, upon completion of the offerings, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, and may acquire a majority of the shares sold in the offerings. If the standby purchaser acquires more than 50% of our outstanding common stock, the standby purchaser generally will be able to determine the outcome of corporate actions requiring stockholder approval. The standby purchaser’s interests may differ from your interests, and therefore actions the standby purchaser takes, as a controlling or significant shareholder, with respect to us, may not be favorable to you. Under the terms of the standby

purchase agreement, the standby purchaser has agreed to take, or not to take, certain actions for certain periods of time following the completion of this offering. See “The Conversion and Offering – Description of the Standby Purchase Agreement—Post-Closing Covenants.”

Our charter and bylaws will not prohibit action by written consent of our stockholders, and therefore any action required or permitted to be taken by our stockholders may be taken by written consent. If the standby purchaser acquires a majority of our shares in the standby offering, the standby purchaser will be able to approve most corporate actions requiring stockholder approval by written consent without a duly-noticed and duly-held meeting of stockholders.

In addition, as permitted by Section 122(17) of the Delaware General Corporation Law, our charter contains provisions renouncing any interest or expectancy of Vericity in, or in being offered an opportunity to participate in, any business opportunities that are presented to one or more of our directors or stockholders who are, at the time, associated with or nominated by, or serving as such as representatives of, the standby purchaser or its affiliates, other than those directors or stockholders who are employees of Vericity or its subsidiaries, unless such opportunity is presented to, acquired, created or developed by, or otherwise comes into the possession of, any such director in such director’s capacity as a director of Vericity.

Our ability to pay dividends will be limited.

Upon completion of this offering, Vericity will be a holding company with no operations of its own. Vericity initially will have no significant source of funds other than the amount of net proceeds of the offerings retained by Vericity and investment earnings thereon, and intercompany dividends from Efinancial and Fidelity Life, if any. Therefore, the payment of dividends by us to stockholders would depend significantly upon the amount of net proceeds of the offerings retained by Vericity that may be available for the declaration of dividends and our receipt of dividends from Efinancial or Fidelity Life. Fidelity Life’s ability to pay dividends to Vericity is subject to limitations under Illinois insurance laws and regulations and under the standby purchase agreement. See “The Conversion and Offering—Description of the Standby Purchase Agreement—Post-Closing Covenants—Standstill Period.” We presently do not intend to pay ordinary cash dividends to our stockholders. See “Dividend Policy.”

The standby stock purchase agreement provides that within six months following the closing of this offering, our board will direct management to undertake and complete a capital needs assessment to project the amount of capital reasonably needed to be maintained at Vericity to support adequate operating capital levels at Fidelity Life and Efinancial. If our management determines that the amount of capital at Vericity is in excess of these needs, our management may recommend to the Vericity board of directors the declaration of a special cash dividend in an amount not to exceed any such excess capital. However, there can be no assurance that our board of directors will declare any dividend. Any decision regarding the declaration or amount of any dividend will be in the sole discretion of the board of directors of Vericity and will depend on many factors, including without limitation the capital needs assessment, general economic and business conditions, Vericity’s financial results and condition, legal and regulatory requirements and any other factors that the Vericity board may deem relevant.

Under the terms of the standby purchase agreement and our bylaws, upon completion of the offerings, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, and the board will determine the amount and timing of any special dividend, if a special dividend is declared. If the standby purchaser acquires a majority of our shares sold in the offerings, the standby purchaser would receive a majority of the amount of any excess capital distributed to stockholders as a special dividend in proportion to its stock ownership.

There may not be an active, liquid trading market for our common stock.

Prior to the subscription offering, there has been no public market for our common stock. We cannot predict the extent to which an active trading market with adequate liquidity will develop. The liquidity of our common stock will be impacted by the fact that the shares purchased by the directors and officers of Members Mutual and the standby purchaser will be purchased for investment and not for resale. The shares purchased by directors and officers will be subject to lockup periods for one year and the shares purchased by the standby purchaser will be restricted securities and subject to trading limitations under applicable law and the standby purchase agreement. If an active trading market does not develop, you may have difficulty selling any of our common stock that you purchase and the value of your shares may be impaired.

As a public company, we will become subject to additional financial and other reporting and corporate governance requirements, which will require additional expense and management resources.

Upon completion of the offerings, we will become obligated to file with the Securities and Exchange Commission, or SEC, annual and quarterly information and other reports that are specified in Section 13 of the Securities Exchange Act of 1934, or Exchange Act. We will also be required to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. Unless an exemption is available to us as an emerging growth company, we will also become subject to other reporting and corporate governance requirements, including the requirements of Nasdaq and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

These changes will require a significant commitment of additional expense and other resources, and these expenses may increase after we are no longer an emerging growth company as defined in the JOBS Act. We may not be successful in implementing these requirements and implementing them could adversely affect our business or operating results. In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our operating results on a timely and accurate basis could be impaired and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting.

We may require additional capital in the future and such additional capital may not be available to us, or only available to us on unfavorable terms.

We plan to continue to increase the number of policies sold through Efinancial as we pursue our strategic plan to further develop our controlled distribution platform and grow our book of business. To the extent that the funds generated by our ongoing operations and capital remaining at Vericity are insufficient to fund future operating requirements, we may need to raise additional funds through financings or curtail our growth. We cannot be sure that we will be able to raise equity or debt financing on terms favorable to us and our stockholders in the amounts that we require, or at all. If we cannot obtain adequate capital, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, the terms of a capital raising transaction could require us to agree to stringent financial and operating covenants and to grant security interests on our assets to lenders or holders of our debt securities that could limit our flexibility in operating our business or our ability to pay dividends on our common stock and could make it more difficult for us to obtain capital in the future.

If we are unable to realize the anticipated benefits of being a public reporting company, we may voluntarily file for deregistration of our common stock with the SEC, which could result in limited publicly available information about the Company and adversely affect the trading market of our common stock.

We expect that compliance with SEC rules and regulations, including the periodic reporting requirements, will cause us to incur significant accounting, legal, and other costs and make some activities more time-consuming and costly. If we are unable to realize the anticipated benefits of being a public company, including the development of an active trading market for our common stock, we may seek to deregister our common stock with the SEC. If we are able and determine to deregister our common stock under the Exchange Act in the future, it would enable us to save significant expenses relating to our public disclosure and reporting requirements under the Exchange Act. However, a deregistration of our common stock would also result in a reduction in the amount and frequency of publically available information about the Company and may further limit the liquidity of our common stock.

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.

If, after listing, we fail to satisfy the continued listing requirements of Nasdaq, Nasdaq may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's listing requirements.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking” statements that are intended to enhance the reader’s ability to assess our future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent our beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as “may,” “expects,” “should,” “believes,” “anticipates,” “estimates,” “intends” or similar expressions. In addition, statements that refer to our future financial performance, anticipated growth and trends in our business and in our industry and other characterizations of future events or circumstances are forward-looking statements. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different.

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs with respect to, among other things, future events and financial performance. Except as required under the federal securities laws, we do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

The forward-looking statements include, among other things, the factors discussed under “Risk Factors” and those listed below:

- future economic conditions in the markets in which we compete that could be less favorable than expected and could have impacts on demand for our products and services;
- our ability to grow and develop our agency business through expansion of retail call centers, wholesale operations and other areas of opportunity;
- our ability to grow and develop our insurance business and successfully develop and market new products;
- our ability to enter new markets successfully and capitalize on growth opportunities either through acquisitions or organically;
- financial market conditions, including, but not limited to, changes in interest rates and the level and trends of stock market prices causing a reduction of investment income or realized losses and reduction in the value of our investment portfolios;
- increased competition in our businesses, including the potential impacts of aggressive price competition by other insurance companies, payment of higher commissions to agents that could affect demand for our insurance products and impact the ability to grow and retain agents in our agency segment and the entry of new competitors and the development of new products by new or existing competitors, resulting in a reduction in the demand for our products and services;
- the effect of legislative, judicial, economic, demographic and regulatory events in the jurisdictions where we do business;
- the effect of challenges to our patents and other intellectual property;
- costs, availability and collectability of reinsurance;
- the potential impact on our reported net income that could result from the adoption of future accounting standards issued by the Public Company Accounting Oversight Board or the Financial Accounting Standards Board or other standard-setting bodies;
- the inability to maintain or grow our strategic partnerships or our inability to realize the expected benefits from our relationship with the standby purchaser;
- the inability to manage future growth and integration of our operations; and
- changes in industry trends and financial strength ratings assigned by nationally recognized rating organizations.

You should review carefully the section captioned “Risk Factors” in this prospectus for a complete discussion of the material risks of an investment in our common stock.

USE OF PROCEEDS

As required under Illinois law, the plan of conversion requires that the total price of the stock to be issued in the conversion must be equal to the estimated pro forma market value of converted Members Mutual as determined by an independent appraiser, which is \$148.8 million at the minimum of the offering range. Accordingly, we must sell shares at an aggregate price at least equal to \$148.8 million in the offerings. We estimate the net proceeds from the offerings will be between \$136.8 million at the minimum of the offering range and \$190.9 million at the maximum of the offering range. See the “Offering Summary” on the front cover of the prospectus for the assumptions used to arrive at these amounts. The amount of net proceeds from the sale of common stock in the offerings will depend on the total number of shares actually sold in the subscription offering, the community offering and the standby offering.

Initially, we plan to retain substantially all of the net proceeds from the offerings at Vericity. The standby stock purchase agreement provides that within six months following the closing of this offering, our board will direct management to undertake and complete a capital needs assessment to project the amount of capital reasonably needed to be maintained at Vericity to support adequate operating capital levels at Fidelity Life and Efinancial. Depending on the results of the assessment, we may allocate a portion of the net proceeds from the offerings to support our insurance and agency businesses, and more particularly to (i) reduce our use of reinsurance to finance growth, while continuing to emphasize risk management; (ii) make investments to strengthen our infrastructure, including our IT platforms; (iii) selectively deploy new capital to acquire and bolster talent in key areas of competency linked to competitive advantage; and (iv) pay amounts due on account of the acceleration of Long-Term Incentive Plan awards (as described below). We expect that any unallocated net proceeds from the offerings will be used for general corporate purposes, including paying holding company expenses, and potentially paying a special cash dividend to our stockholders or repurchasing shares of our common stock.

If as a result of the capital needs assessment, management determines that the amount of capital retained at Vericity exceeds the reasonable current and near term projected operating capital needs, management will determine the amount of excess capital (if any) that may be available for distribution to stockholders and may recommend the declaration of a special dividend to stockholders in an amount not to exceed any such excess capital. The amount of any special dividend would not equal or exceed one hundred percent of the net proceeds. However, there can be no assurance that our board of directors will declare any dividend. Any decision regarding the declaration or amount of any dividend will be in the sole discretion of the board of directors of Vericity and will depend on many factors, including the capital needs assessment, the amount of net proceeds from this offering, general economic and business conditions, Vericity’s financial results and condition, legal and regulatory requirements and any other factors that the Vericity board may deem relevant.

The following table illustrates the effect on the estimated net proceeds available to the Company following the payment of a potential special dividend in the projected amounts as shown below. This table is presented for illustrative purposes only and does not represent a commitment regarding the payment of a special dividend in any amount, including the amounts shown below:

	Offering Minimum				Offering Maximum			
	(dollars in millions except share and per share data)							
Projected dividend per share	\$2	\$4	\$6	\$8	\$2	\$4	\$6	\$8
Effective pre-tax net investment per share	\$8	\$6	\$4	\$2	\$8	\$6	\$4	\$2
Gross offering proceeds	\$148.8	\$148.8	\$148.8	\$148.8	\$201.3	\$201.3	\$201.3	\$201.3
Estimated offering expenses	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Estimated commissions	3.6	3.6	3.6	3.6	2.0	2.0	2.0	2.0
Estimated dividend payout	29.8	59.5	89.3	119.0	40.3	80.5	120.8	161.0
Estimated net proceeds	\$107.0	\$ 77.3	\$ 47.5	\$ 17.8	\$150.6	\$110.4	\$ 70.1	\$ 29.9

Under the terms of the standby purchase agreement and our bylaws, upon completion of the offerings, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors, and the board will determine the amount and timing of any special dividend, if a special dividend is declared. If the standby purchaser acquires a majority of our shares sold in the offerings, the standby purchaser would receive a majority of the amount of any excess capital distributed to stockholders as a special dividend in proportion to its stock ownership.

On a short-term basis, the proceeds retained at Vericity will be initially invested primarily in U.S. government securities, other federal agency securities, and other securities consistent with our investment policy until utilized.

MARKET FOR THE COMMON STOCK

Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol “VERY.”

We have never issued any capital stock to the public. Consequently, there is no established market for our common stock. The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time. Neither we nor any market maker has any control over the development of such a public market. Although our common stock has been approved for listing on the NASDAQ Capital Market, an active trading market is unlikely to develop. This is, in part, because of the size of the offering and, depending upon how many eligible members subscribe, a majority of our stock may be held by the standby purchaser and our management.

One of the requirements for initial listing of our common stock on the NASDAQ Capital Market is that there are at least three market makers for the common stock. Raymond James and Griffin Financial have indicated that they intend to act as a market maker in our common stock following this offering, but are under no obligation to do so. We cannot assure you that there will be three or more market makers for our common stock. Furthermore, we cannot assure you that you will be able to sell your shares of common stock for a price at or above \$10.00 per share, or that final approval for listing on the NASDAQ Capital Market will be available upon completion of the offerings as contemplated.

DIVIDEND POLICY

Following completion of this offering, our board of directors will have the authority to declare dividends on our shares of common stock. We currently do not have any plans to pay ordinary cash dividends to our stockholders. Any decision to pay a dividend will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal requirements, dividends from our subsidiaries and other factors as the board of directors deems relevant.

Vericity initially will have no significant source of funds other than the amount of net proceeds of the offerings retained by Vericity, the investment earnings on any net proceeds of the offerings not contributed to Efinancial or Fidelity Life, and intercompany dividends from Efinancial and Fidelity Life, if any. Therefore, the payment of dividends by us to stockholders would depend significantly upon our receipt of dividends from Efinancial or Fidelity Life and the amount of net proceeds of the offerings retained by Vericity that may be available for the declaration of dividends.

Fidelity Life's ability to pay dividends is subject to restrictions contained in the insurance laws of Illinois, which require that ordinary dividends be reported to the Illinois Department of Insurance prior to payment of the dividend and that extraordinary dividends be submitted for prior approval. An extraordinary dividend is generally defined as a dividend that, together with all other dividends made within the past 12 months, exceeds the greater of 10% of its statutory policyholders' surplus as of the preceding year end or the statutory net income of the company for the preceding year. Statutory policyholders' surplus, as determined under statutory accounting principles, or SAP, is the amount remaining after all liabilities, including loss and loss adjustment expenses, are subtracted from all admitted assets. Admitted assets are assets of an insurer prescribed or permitted by a state insurance regulator to be recognized on the statutory balance sheet. Insurance regulators have broad powers to prevent the reduction of statutory surplus to inadequate levels, and there is no assurance that extraordinary dividend payments will be permitted. As a result of the payment of dividends in the amount of \$7.0 million in the last twelve months, Fidelity Life's remaining ordinary dividend capacity as of December 31, 2018 is \$5.8 million. However, under the standby purchase agreement, Fidelity Life has agreed that following the conversion it will not pay any dividends during the standstill period without the consent of a majority of the company designees. See "The Conversion and Offering—Description of the Standby Purchase Agreement—Post-Closing Covenants—Standstill Period."

Capital Needs Assessment; Potential Special Dividend

The standby stock purchase agreement provides that within six months following the closing of this offering, our board will direct management to undertake and complete a capital needs assessment to project the amount of capital reasonably needed to be maintained at Vericity to support adequate operating capital levels at Fidelity Life and Efinancial. If our management determines that the amount of capital at Vericity is in excess of these needs, our management may recommend to the Vericity board of directors the declaration of a special cash dividend in an amount not to exceed any such excess capital. The amount of any special dividend would not equal or exceed one hundred percent of the net proceeds from the offerings. However, there can be no assurance that our board of directors will declare any dividend. Any decision regarding the declaration or amount of any dividend will be in the sole discretion of the board of directors of Vericity and will depend on many factors, including without limitation the capital needs assessment, general economic and business conditions, Vericity's financial results and condition, legal and regulatory requirements and any other factors that the Vericity board may deem relevant.

CAPITALIZATION

The following table displays information regarding our historical and pro forma capitalization at December 31, 2018, on a consolidated basis. The pro forma information gives effect to the sale of common stock at the minimum of the estimated valuation range of our consolidated pro forma market value, as determined by the independent evaluation of Boenning & Scattergood, Inc., and the maximum of the estimated valuation range. The various capital positions are displayed based upon the assumptions set forth in the “Offering Summary” on the front cover of the prospectus. The total number of shares to be issued in the conversion will range from 14,875,000 shares to 20,125,000 shares. See “Use of Proceeds” and “The Conversion and Offering —Stock Pricing and Number of Shares to be Issued.”

		Pro Forma Capitalization of Vericity, Inc. at December 31, 2018 (dollars in thousands)	
	Historical Consolidated Capitalization of Members Mutual at December 31, 2018	Minimum	Maximum
Stockholders' equity:			
Common Stock, par value \$0.001 per share; authorized 30,000,000 shares; shares to be outstanding—as shown	\$ —	\$ 15	\$ 20
Additional paid-in capital	—	136,738	190,835
Retained earnings	174,558	174,558	174,558
Accumulated other comprehensive income (loss), net of tax	(2,368)	(2,368)	(2,368)
Total stockholders' equity	\$ 172,190	\$308,943	\$ 363,045

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth selected consolidated financial and other data for Members Mutual prior to this offering. You should read this data in conjunction with our financial statements and accompanying notes, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information included elsewhere in this prospectus. The balance sheet data as of December 31, 2018 and 2017, and the statement of operations data for the years then ended, are derived from our audited financial statements that are included elsewhere in this prospectus.

These historical results are not necessarily indicative of future results.

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Statement of Operations Data:		
Life premiums (Direct & Assumed)	\$ 163,411	\$ 161,855
Ceded life premiums	(74,838)	(78,982)
Net life premiums	\$ 88,573	\$ 82,873
Net investment income	\$ 15,101	\$ 15,119
Net realized investment gains	(967)	571
Earned commissions	13,404	11,514
Insurance leads and sales	7,633	5,523
Other income	236	270
Total revenues	\$123,980	\$115,870
Benefits and expenses		
Life, annuity and health claim benefits	\$ 56,556	\$ 56,035
Interest credited to policyholders account balances	3,598	3,776
General operating expenses	68,353	55,912
Amortization of deferred policy acquisition costs	11,506	10,926
Other Expenses	164	163
Total benefits and expenses	\$140,177	\$126,812
(Loss) before income taxes	(16,197)	\$ (10,942)
Income tax (benefit)	(2,350)	(2,701)
Net (loss)	\$ (13,847)	\$ (8,241)
Segment Information:		
Revenues		
Agency	\$ 49,893	\$ 40,325
Insurance	103,039	98,923
Corporate and Other	290	210
Eliminations	(29,243)	(23,588)
Total revenues	\$123,979	\$115,870
Income (loss) before taxes		
Agency	\$ (759)	\$ (624)
Insurance	(629)	2,343
Corporate and Other	(4,765)	(4,713)
Eliminations	(10,044)	(7,948)
Total	\$ (16,197)	\$ (10,942)

	For the Years End December 31,	
	2018	2017
	(dollars in thousands)	
Balance Sheet Data:		
Total investments	\$368,079	\$393,060
Cash and cash equivalents	20,984	11,766
Accrued investment income	2,985	3,323
Reinsurance recoverable	136,601	143,915
Deferred policy acquisition costs	84,567	82,319
Commissions and agent balances	1,864	2,034
Intangible assets	1,716	1,880
Deferred income tax assets	10,663	4,925
Other assets	27,511	23,192
Total Assets	\$654,970	\$666,414
Future policy benefits and claims	\$320,397	\$302,782
Policyholder account balances	93,051	98,899
Other policyholder liabilities	25,738	36,011
Policyholder dividend obligations	9,383	11,097
Reinsurance liabilities and payables	6,167	7,468
Long-term debt	10,294	—
Short-term debt	3,072	—
Other liabilities	14,678	13,954
Total Liabilities	\$482,780	\$470,211
Equity	\$172,190	\$196,203
Total Liabilities and Equity	\$654,970	\$666,414

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed balance sheet as of December 31, 2018 gives effect to the conversion and completion of this offering, as if it had occurred as of December 31, 2018. The data is based on the assumption that 14,875,000 shares of common stock (the minimum number of shares required to be sold) are sold in the offerings, with estimated net proceeds from the offerings of \$136.8 million. See the “Offering Summary” on the front cover of the prospectus for the assumptions used to arrive at this amount. For information on the impact of transaction sizes above the minimum level, see “—Additional Pro Forma Data.”

The following unaudited pro forma condensed statement of operations for the year ended December 31, 2018 presents our operating results as if this offering was completed as of January 1, 2018.

Completion of this offering is conditioned on the sale of a minimum of 14,875,000 shares of common stock in this offering. If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, and if all of the conditions to the standby purchaser’s purchase commitment have been satisfied, the standby purchaser will be obligated to purchase enough shares in the standby offering to guarantee the sale of the minimum number of shares necessary to complete this offering. In that event, the level of sales to eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering.

The unaudited pro forma information does not claim to represent what our financial position or results of operations would have been had this offering occurred on the dates indicated. This information is not intended to project our financial position or results of operations for any future date or period. The pro forma adjustments reflect all material adjustments associated with the conversion and are based on available information and certain assumptions that we believe are factually supportable and reasonable under the circumstances. The unaudited pro forma financial information should be read in conjunction with our financial statements, the accompanying notes, and the other financial information included elsewhere in this prospectus.

The pro forma adjustments and pro forma amounts are provided for informational purposes only. Our financial statements will reflect the effects of this offering only from the date it is completed.

Unaudited Pro Forma Condensed Balance Sheet
As of December 31, 2018

	MMHC Historical Consolidated	Pro Forma Adjustments	Vericity, Inc. Pro Forma Consolidated(1)
	(dollars in thousands except share and per share data)		
Assets			
Cash and investments	\$ 389,063	\$ 136,753(2)	\$ 525,816
Commissions & agents' balance receivable	1,864	—	1,864
Deferred policy acquisition costs	84,567	—	84,567
Accrued Investment Income	2,985	—	2,985
Reinsurance recoverables	136,601	—	136,601
Intangible assets, net	1,716	—	1,716
Deferred income tax asset, net	10,663	—	10,663
Other assets	27,511	—	27,511
Total assets	\$ 654,970	\$ 136,753	\$ 791,723
Liabilities & equity			
Liabilities			
Policy reserves and liabilities	\$ 454,736	—	\$ 454,736
Debt	13,366	—	13,366
Other liabilities	14,678	—	14,678
Total liabilities	482,780	—	482,780
Equity			
Common stock	—	15	15
Additional paid in capital	—	136,738(3)	136,738
Retained earnings	174,558	—	174,558
Accumulated other comprehensive income	(2,368)	—	(2,368)
Total equity	172,190	136,753	308,943
Total liabilities & equity	\$ 654,970	\$ 136,753	\$ 791,723

Notes to Unaudited Pro Forma Condensed Balance Sheet

- 1) The unaudited pro forma condensed balance sheet, as prepared, gives effect to the sale of the common stock at the minimum of the estimated range of our consolidated pro forma market value, as determined by the independent valuation of Boenning & Scattergood. The unaudited pro forma condensed balance sheet is based on the assumptions set forth in the "Offering Summary" on the front cover of the prospectus.
- 2) Reflects the sale of 14,875,000 shares at \$10.00 per share, less estimated conversion and offering expenses and commissions in the amount of \$12.0 million.
- 3) Pro forma additional paid in capital represents the net proceeds from the conversion less common stock:

Sale of 14,875,000 shares at \$10.00 per share	\$148,750
Less:	
Conversion and offering expenses	8,382
Commissions	3,615
Total	\$136,753
Common stock	15
Additional paid in capital	\$136,738
Total	\$136,753

Unaudited Pro Forma Condensed Statement of Operations
December 31, 2018

	MMHC Historical Consolidated	Pro Forma Adjustments	Vericity, Inc. Pro Forma Consolidated
	(dollars in thousands except share and per share data)		
Revenues			
Net insurance premiums	\$ 88,573	\$ —	\$ 88,573
Net investment income	15,101	— (1)	15,101
Net realized investment gains	(967)	— (1)	(967)
Earned commissions	13,404	—	13,404
Other income	7,869	—	7,869
Total revenues	<u>123,980</u>	<u>—</u>	<u>123,980</u>
Benefits and Expenses			
Life, annuity and health claim benefits	56,556	—	56,556
Interest credited to policyholder account balances	3,598	—	3,598
General operating expenses	68,353	— (2)	68,353
Amortization of deferred policy acquisition costs	11,506	—	11,506
Amortization of intangible assets	164	—	164
Total benefits and expenses	<u>140,177</u>	<u>—</u>	<u>140,177</u>
Loss before income taxes	<u>(16,197)</u>	<u>—</u>	<u>(16,197)</u>
Income tax benefit	(2,350)	—	(2,350)
Net loss	<u>\$ (13,847)</u>	<u>\$ —</u>	<u>\$ (13,487)</u>
Loss per share data			
Basic and diluted loss per common share			\$ (0.93)
Weighted average basic and diluted shares outstanding			14,875,000

Notes to Unaudited Pro Forma Condensed Statements of Operations

- (1) We anticipate that we would earn approximately \$4.2 million investment income, assuming the net proceeds were received and available for investment as of January 1, 2018, and that they were invested with an average annual pre-tax rate of return of 3.0%. This income is not included as it is not “factually supportable” as that term is used in the Securities and Exchange Commission’s rules and regulations and therefore no pro forma adjustment of investment income or realized investment gains are reflected.
- (2) No pro forma adjustment of general operating expenses has been made to reflect additional costs that we expect to incur operating as a public company as such amount would not be “factually supportable.”

Additional Pro Forma Data

The actual net proceeds from the sale of our common stock in the offering cannot be determined until the offering is completed. However, the offering net proceeds are currently estimated to be between \$136.8 million and \$190.9 million, based on the following assumptions:

- Expenses of the conversion and offering will be \$8.4 million; and
- Marketing agent commissions will equal \$3.6 million at the minimum of the estimated offering range and \$2.0 million at the maximum of the offering price.

We have prepared the following table which sets forth our historical net loss and retained earnings prior to the offering and pro forma net loss and shareholders’ equity following the offering. In preparing this table and in calculating the pro forma data, the following assumptions have been made:

- Pro forma earnings have been calculated assuming the stock had been sold at the beginning of the period;
- Pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of stock; and
- Pro forma shareholders’ equity amounts have been calculated as if our common stock had been sold in the offering on December 31, 2018, and, accordingly, no effect has been given to the assumed earning effect of the net proceeds from the offering.

The following pro forma information may not be representative of the financial effects of the offering at the date on which the offering actually occurs and should not be taken as indicative of future results of operations. The pro forma shareholders’ equity is not intended to represent the fair market value of the common stock and may be different from amounts that would be available for distribution to shareholders in the event of liquidation.

The following table summarizes historical data and our pro forma data at December 31, 2018, based on the assumptions set forth above and in the table and should not be used as a basis for projection of the market value of the common stock following the completion of the offering.

At or for the Year Ended December 31, 2018

	14,875,000 Shares Sold at \$ 10.00 per Share (Minimum of Range)	20,125,000 Shares Sold At \$ 10.00 per Share (Maximum of Range)
	(dollars in thousands except shares and per share data)	
Pro forma offering proceeds		
Gross proceeds of public offering	\$ 148,750	\$ 201,250
Less offering expenses and commissions	\$ 11,997	\$ 10,395
Net Proceeds	\$ 136,753	\$ 190,855
Pro forma shareholders' equity		
Historical Equity	\$ 172,190	\$ 172,190
Net proceeds	\$ 136,753	\$ 190,855
Pro forma shareholders' equity	\$ 308,943	\$ 363,045
Pro forma per share data		
Total shares outstanding after the offering	14,875,000	20,125,000
Pro forma book value per share	\$ 20.77	\$ 18.04
Pro forma price-to-book value per share	48.1%	55.4%
Pro forma net income		
Historical net loss	\$ (13,847)	\$ (13,847)
Pro forma loss	\$ (13,847)	\$ (13,847)
Weighted average shares outstanding	14,875,000	20,125,000
Pro forma loss per share	\$ (0.93)	\$ (0.69)
Computation of Weighted Average Shares Outstanding		
Total Shares Issued	14,875,000	20,125,000
Weighted Average Shares Outstanding	14,875,000	20,125,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes included elsewhere in this prospectus. Some of the information contained in this discussion and analysis and set forth elsewhere in this prospectus constitutes forward looking information that involves risks and uncertainties. You should review "Forward Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described, or implied by, the forward-looking statements contained herein.

Overview

We provide life insurance protection targeted to the middle American market. We believe there is a substantial unmet need for life insurance, particularly among domestic households with annual incomes of between \$50,000 and \$125,000, a market we refer to as our target Middle Market. We differentiate our product and service offerings through innovative product design and sales processes, with an emphasis on rapidly issued products that are not medically underwritten at the time of sale.

We conduct our business through our two operating subsidiaries, Fidelity Life, an Illinois-domiciled life insurance company, and Efinancial, a call center-based insurance agency. Efinancial sells Fidelity Life products through its own call center distribution platform, independent agents and other marketing organizations. Efinancial, in addition to offering Fidelity Life products, sells insurance products of unaffiliated carriers. We report our operating results in three segments: agency, insurance and corporate.

Agency Segment

This segment primarily consists of the operations of Efinancial. Efinancial is a call center-based insurance agency that markets life insurance for Fidelity Life and unaffiliated insurance companies. Efinancial's primary operations are conducted through employee agents from two call center locations, which we refer to as our retail channel. In addition, Efinancial operates as a wholesale agency, assisting independent agents that desire to work for the carriers that Efinancial represents, which we refer to as our wholesale channel. Efinancial also generates data and click-through revenue through its eCoverage web presence. For the years ended December 31, 2018 and December 31, 2017, our agency segment revenue was earned 81% and 81% through the retail channel, 3% and 5% through the wholesale channel, and 16% and 14% through data, click-through and transfer revenue, respectively.

The agency segment's main source of revenue is commissions earned on the sale of insurance policies sold through our retail channel. Efinancial's employee agents utilize insurance sales leads to contact or be contacted by potential customers and then work with the customers to complete the sales process, which can occur during the initial contact or within 24 to 48 hours for non-medically underwritten policies. In our wholesale channel, we subcontract with our independent agents who sell through Efinancial's contracts with its unaffiliated insurance carriers. In consideration for using our carrier contracts and services, we receive a portion of the commission earned by the independent agent from the carrier.

Agency segment expenses consist of marketing costs to acquire potential customers, salary and bonuses paid to our employee agents, salary and other costs of employees involved in managing the underwriting process for our insurance applications, sales management, agent licensing, training and compliance costs. Other agency segment expenses include costs associated with financial and administrative employees, facilities rent, and information technology. After payroll, the most significant agency segment expense is the cost of acquiring leads. We are able to partially offset our sales leads expense through advertising revenues from individuals who click on specific advertisements while viewing one of our web pages, and through the resale of leads that are not well suited for our call center. For the years ended December 31, 2018 and December 31, 2017, these offsetting revenues were \$6.2 million and \$3.7 million, respectively, which reduced our total agency expenses by approximately 13% and 9%, respectively. Our agency operations segment recognizes income (loss) to the extent that commissions and other revenue exceed (are less than) our marketing, agency and overhead costs for the period.

Insurance Segment

This segment consists of the operations of Fidelity Life. Fidelity Life underwrites primarily term life insurance through Efinancial and a diverse group of independent insurance distributors. Fidelity Life specializes in life insurance products that can be issued immediately or within a short period following a sales call, using non-medical underwriting at the time of policy issuance.

Our insurance segment revenues consist of net insurance premiums, net investment income, and net realized gains (losses) on investments. Our distributors consist of Efinancial and the independent insurance agencies that we contract with to sell our insurance products to the customers (policyholders) who buy our insurance policies. We recognize premium revenue from our policyholders. We purchase reinsurance coverage to help manage the risk on our insurance policies by paying, or ceding, a portion of the policyholder premiums to the reinsurance company. Our net insurance premiums reflect amounts collected from policyholders, plus premiums assumed under reinsurance agreements less premiums ceded to reinsurance companies. Net investment income represents primarily interest income earned on fixed maturity security investments that we purchase with cash flows from our premium revenues. We also realize gains and losses on sales of investment securities. These investments support our liability for policy reserves and provide the capital required to operate our insurance business. Capital requirements are primarily established by regulatory authorities. See “—Investments” and “Business—Risk-Based Capital (RBC) Requirements.”

Insurance segment expenses consist of benefits paid to policyholders or their beneficiaries under life insurance policies. Benefit expenses also include additions to the reserve for future policyholder benefits to recognize our estimated future obligations under the policies. Benefit expenses are shown net of amounts ceded under our reinsurance contracts. Our insurance segment also incurs policy acquisition costs that consist of commissions paid to agents, policy underwriting and issue costs and variable sales costs. A portion of these policy acquisition costs are deferred and expensed over the life of the insurance policies acquired during the period. In addition to policy acquisition costs, we incur expenses that vary based on the number of contracts that we have in-force, or variable policy administrative costs. These variable costs consist of expenses paid to third party administrators based on rates for each policy administered. As the number of in-force policies increases, these expenses will increase. Conversely, when the number of in-force policies declines, variable policy expenses decline. Our insurance operations also incur overhead costs for functional and administrative staff to support insurance operations, financial reporting and information technology. We recognize income (loss) on insurance operations to the extent that premium revenues, net investment income and realized gains (losses) exceed (are less than) benefit expenses and general operating expenses for the period.

Our insurance segment also includes the results of certain legacy business lines that were entered into in prior years, which we refer to as the closed block, and annuities and assumed life. The closed block was established in connection with our 2007 reorganization into a mutual holding company structure and represents all in-force participating insurance policies of Fidelity Life. Annuities and assumed life represents (i) our assumed life business, which consists of policies primarily written in the 1980s and early 1990s; (ii) our direct annuity contracts, which consist of approximately 78 structured settlement contracts that remain from a group of contracts entered into in the late 1980s; and (iii) our assumed annuities, which consist of contractholder deposits assumed from a former affiliate under two coinsurance treaties entered into in 1991 and 1992.

We have not accepted new policies in these legacy lines since 2006 or prior, and these lines are considered to be in “run off” with a declining number of policies in force each period. We recognize income on the closed block and annuities and assumed life to the extent that premium revenues and investment income exceed the benefit expenses and operating expenses (including paid and accrued policyholder dividends) of these lines of business. On the two annuity lines we recognize income (loss) to the extent that our net investment income earned exceeds (are less than) benefit expenses (direct annuities) and amounts credited on policy deposits (assumed annuities) and operating expenses of the two lines.

Corporate Segment

The results of this segment consist of nominal net investment income and nominal realized investment gains (losses) earned on nominal invested assets. We also include certain corporate expenses that are not allocated to our other segments, including expenses of Vericity, board expenses, allocation of executive management time spent on corporate matters, and financial reporting and auditing costs related to our consolidation and internal controls. Our corporate segment recognizes income (loss) to the extent that investment income and realized investment gains exceed (are less than) corporate expenses.

Factors Affecting Our Results

Strategic Goals and Financial Impact of Sales of Policies Produced by Efinancial

Using Efinancial, our controlled distribution platform, we have full vertical integration for the sale and issuance of life insurance policies and are able to gather end-to-end consumer data, extending from tracking data to analyzing the characteristics of leads that generate successful marketing efforts to the associated underwriting and claims experience. Since we acquired Efinancial in 2009, we have made significant investments in the development of our controlled distribution

strategy for reaching our target market. By converting data we generate through our distribution platform into actionable insight using statistical analysis, we will seek to be more efficient in our acquisition and use of leads, improve our call center placement ratios and strive to achieve overall profitability. However, the investments made in pursuit of this strategy, among other factors, have adversely affected our historical results of operations. We have incurred a net loss in each of the nine prior fiscal years, resulting in an aggregate of approximately \$112 million in net losses over that period, including losses of \$13.8 million and \$8.2 million for the years ended December 31, 2018 and December 31, 2017, respectively. Our losses are due principally to operating expenses and corporate overhead exceeding revenues of our agency and insurance segments, and our inability to defer a majority of our commission expense on policies produced by our affiliated agency, Efinancial.

Efinancial produced 61.9% and 61.1% of the policies written by Fidelity Life for the years ended December 31, 2018 and December 31, 2017, respectively. We plan to continue to increase the number of policies sold through Efinancial as we pursue our strategic plan to further develop our controlled distribution platform and grow our book of business. However, sales of insurance policies through Efinancial immediately result in significantly higher consolidated expense recognition and lower consolidated net income in comparison to Fidelity Life policies distributed through an unaffiliated entity. GAAP requires that we immediately expense that portion of our policy acquisition costs for policies placed through Efinancial that cannot be directly tied to the placement of a policy. As a result of this immediate expense recognition for sales through Efinancial, we incur a net loss in the first year on each policy sold through Efinancial. To the extent we are successful in increasing our premium writings through Efinancial over each of the next several years or more, we expect that the impact of recognizing a majority of Efinancial commissions as a current expense will, among other factors, continue to adversely affect our results of operations and contribute to our continuing to incur consolidated net losses and a reduction to our consolidated equity in each such year as we seek to implement our distribution strategy. Over the long term and assuming that our products perform consistent with our assumptions, once we have developed a sustainable book of business and our expected growth through Efinancial has leveled, we expect that revenues from policy renewals may begin to offset the immediate expense recognition resulting from writing new policies through Efinancial. See “—Critical Accounting Policies—Deferred Policy Acquisition Costs (DAC)” and “—Results of Operations—Analysis of Segment Results—Corporate Segment—Intercompany Eliminations.”

Accuracy of Our Pricing Assumptions

In order for our insurance operations to be profitable, we must achieve product experience consistent with our pricing assumptions. We price our products using a number of assumptions that are designed to support the desired level of profitability. Our operating results will be affected by variances between our pricing assumptions and our actual experience. The key pricing assumptions made are:

- ***Investment Returns.*** We earn income on the investments held to support reserves and capital requirements. The amount of net investment income that we recognize will vary depending on the amount of invested assets that we own, the types of investments we own, the interest rates earned and amount of dividends received on our investments. If the actual amount of net investment income earned is less than projected, our products may not generate the desired level of profitability.
- ***Persistency Experience.*** Many of the non-medically underwritten products that we issue have a limited amount of insurance industry information to use in developing policy lapse rates. We are developing our own historical experience as to expected lapse rates for these products and reflect our emerging experience in our pricing. If actual policy lapse rates exceed the lapse rates assumed in pricing our products, we may receive lower premium revenues and may not receive enough premium to cover all of our acquisition costs for the policy.
- ***Mortality Experience.*** We use our historical experience combined with experience projections from our reinsurance partners to develop our assumptions for the level, frequency and pattern of future claims experience. In our insurance operations segment, we principally issue non-medically underwritten products through underwriting processes that generally have limited recent company and industry experience; therefore, their performance may be less reliable and subject to greater variance than products underwritten through processes with more established industry experience.
- ***Operating Expenses.*** Our level of operating expenses affects our reported net income (loss). Our general operating expenses include expenses that vary based on the growth in our revenues and expenses that are fixed regardless of revenue growth. As discussed above, we have experienced operating losses principally because our operating expenses and corporate overhead exceed our revenues, and our inability to defer a majority of our commission expense on policies produced by our affiliated agency, Efinancial.

Efinancial Commission Financing

Beginning in the fourth quarter of 2017, Fidelity Life changed the commission structure related to Efinancial's sale of the **RAPID**Decision® Life to pay annual level commissions over the life of the product instead of heaped, or first-year-only commissions. This change reduced Fidelity Life's surplus strain associated with issuing **RAPID**Decision® Life business by spreading its statutory commission expenses over the life of the policy instead of incurring it all in the policy year of issue. In order to help provide liquidity for Efinancial through the receipt of larger first-year-only commissions, Fidelity Life and Efinancial entered into a financing arrangement with Hannover Life Reassurance Company of America (Hannover Life) under which, on a monthly basis, Hannover Life advances to Efinancial amounts approximately equal to the first-year-only commissions on Fidelity Life **RAPID**Decision® Life business sold through Efinancial. In exchange, Efinancial assigns to Hannover Life its right to all future levelized commission payments on that business due from Fidelity Life, and Fidelity Life pays to Hannover Life the level commissions over the life of the contract. Our arrangement with Hannover Life allows us to finance up to \$20 million of commission expense. Efinancial's ability to receive advances under this arrangement will terminate on the earlier of June 30, 2019 or the date when the aggregate amount advanced under the arrangement equals or exceeds \$20 million. As of December 31, 2018, we had net advances of \$13.4 million under this arrangement.

Critical Accounting Policies

Our critical accounting policies are described in Note 2—Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements included elsewhere in this prospectus. The accounting policies discussed in this section are those that we consider to be the most critical to an understanding of our financial statements. The preparation of the consolidated financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and related disclosures. We regularly evaluate our estimates and judgments based on historical experience, market indicators and other relevant factors and circumstances. Actual results may differ from these estimates under different assumptions or conditions and may affect our financial position and results of operations.

Valuation of Fixed Maturity Securities and Equity Securities

Our fixed maturity securities are classified as either "available-for-sale" securities or "trading" securities which are both carried at fair value on the balance sheet. Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. For investments that are not actively traded, the determination of fair value requires us to make a significant number of assumptions and judgments. Fair value determinations include consideration of both observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. Security pricing is applied using a hierarchy approach.

Level 1—Unadjusted quoted prices for identical assets in active markets the Company can access.

Level 2—This level includes fixed maturity securities priced principally by independent pricing services using observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments on inactive markets; and model-derived valuations for which all significant inputs are observable market data. Level 2 instruments include most corporate debt securities and U.S. government and agency mortgage-backed securities that are valued by models using inputs that are derived principally from or corroborated by observable market data.

Level 3—Fair values are derived from valuation techniques in which one or more significant inputs are unobservable. Level 3 instruments include less liquid securities for which significant inputs are unobservable in the market, such as structured securities and private placement bonds that require significant management assumptions or estimation in the fair value measurement. Level 3 hierarchy requires the use of observable market data when available.

At December 31, 2018 and December 31, 2017, the estimated fair value of our investments by fair value hierarchy was as follows:

Fair Value of Investments as of December 31, 2018 (dollars in thousands)			
Level 1	Level 2	Level 3	Total Fair Value
\$6,460	\$291,353	\$13,695	\$311,508
2%	94%	4%	100%

Fair Value of Investment as of December 31, 2017 (dollars in thousands)			
Level 1	Level 2	Level 3	Total Fair Value
\$7,530	\$312,553	\$23,290	\$343,373
2%	91%	7%	100%

Level 1 securities include principally exchange traded funds that are valued based on quoted market prices for identical assets.

All of the fair values of our fixed maturity and equity securities within Level 2 are based on prices obtained from independent pricing services. All of our prices for each security are generally sourced from multiple pricing vendors, and a vendor hierarchy is maintained by asset type and region of the world, based on historical pricing experience and vendor expertise. We ultimately use the price from the pricing service highest in the vendor hierarchy based on the respective asset type and region. For fixed maturity securities that do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications which incorporate a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and U.S. Treasury curves. Specifically, for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Securities with validated quotes from pricing services are reflected within Level 2 of the fair value hierarchy, as they generally are based on observable pricing for similar assets or other market significant observable inputs.

Level 3 fair value classification consists primarily of investments in private placement securities where the fair value of the security is determined by a pricing service using spread matrix pricing which incorporates a discounted cash flow model where one or more of the significant inputs is unobservable in the marketplace. The remaining securities in Level 3 consist of corporate bonds whose fair values are determined by pricing models where there is a lack of transparency to one or more significant inputs, or broker/dealer quotes. The fair value of a broker-quoted asset is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant. The Company does not adjust broker quotes when used as the fair value measurement for an asset.

If we believe the pricing information received from third party pricing services is not reflective of market activity or other inputs observable in the market, we may challenge the price through a formal process with the pricing service. Historically, we have not challenged or updated the prices provided by third-party pricing services. However, any such updates by a pricing service to be more consistent with the presented market observations, or any adjustments made by us to prices provided by third-party pricing services, would be reflected in the balance sheet for the current period.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 or Level 2) and unobservable (Level 3).

Other-Than-Temporary Impairments on Available-For-Sale Securities

Securities that are classified as available-for-sale are subject to market declines below amortized cost (a gross unrealized loss position). When a gross unrealized loss position occurs, the security is considered impaired. Quarterly or when necessary, we review each impaired security to identify whether the impairment may be an other-than-temporary impairment ("OTTI"), and require the recognition of an impairment loss in the current period earnings. Indication of OTTI includes potential credit deterioration whether due to ratings downgrades, unexpected price variances, and/or other company or industry specific concerns. A number of factors are considered in determining whether or not a decline in a specific security

is other-than-temporary, including our current intention or need to sell the security or an indication that a credit loss exists. An impairment loss will be recorded if our intention is to sell an impaired security or it is considered to be more likely than not we will be required to sell the security. An impairment loss will be recorded to the extent that we determine that the impaired security will experience a credit loss.

Our review of our available-for-sale securities for impairment includes an analysis of impaired securities in terms of severity and/or age of the gross unrealized loss. Additionally, we consider a wide range of factors about the issuer of the security and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the likelihood for near-term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential that includes the evaluation of the financial condition and expected near-term and long-term prospects of the issuer, collateral position, the relevant industry conditions and trends, and whether expected cash flows will be sufficient to recover the entire amortized cost basis of the security.

The credit loss component of fixed maturity security impairment is calculated as the difference between amortized cost of the security and the present value of the expected cash flows of the security. The present value is determined using the best estimate of cash flows discounted at the effective rate implicit to the security at the date of purchase or prior impairment. The methodology and assumptions for estimating the cash flows vary depending on the type of security. For mortgage-backed and asset-backed securities, cash flow estimates, including prepayment assumptions, are based on data from widely accepted third-party sources or internal estimates. In addition to prepayment assumptions, cash flow estimates vary based on assumptions regarding the underlying collateral characteristics, expectations of delinquency and default rates, and structural support, including subordination and guarantees. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss exists and the security is considered to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is determined to be other-than-temporarily impaired for credit reasons and is recognized as an OTTI loss in earnings. The portion of the OTTI that is not considered a credit loss, is recognized as OTTI in accumulated comprehensive income.

There was no OTTI on fixed maturity securities for the years ended December 31, 2018 and December 31, 2017.

Mortgage Loans

Our mortgage loans are held on commercial real estate and are stated at the aggregate unpaid principal balances, net of any write downs and valuation allowances. We identify loans for evaluation of impairment primarily based on the collection experience of each loan. Mortgage loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect principal or interest amounts according to the contractual terms of the loan agreement. Impairment is measured on a loan by loan basis based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral. Impairments are included in realized investment gains and losses in the Consolidated Statements of Operations.

Interest income from mortgage loans is recognized on an accrual basis using the effective yield method. Accrual of income is generally suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Mortgage loans are considered past due when full principal or interest payments have not been received according to contractual terms.

At December 31, 2018 and December 31 2017, there was a valuation allowance of \$0.2 million and \$0.3 million, respectively.

Deferred Policy Acquisition Costs (DAC)

For our insurance segment, the costs of acquiring new business are deferred to the extent that they are directly related to the successful acquisition of insurance contracts. Deferred acquisition costs include commissions paid in the first policy year that are in excess of the ultimate renewal commissions payable on the policy. For any of our policies for which we do not pay renewal commissions, the deferred acquisition costs (at the segment level) include all commissions paid in the first year. For policies for which we pay levelized commissions over the life of the policy, we expense the first-year commission and therefore do not defer any other commission expense. We also defer costs associated with policy underwriting and issuance related to the successful acquisition of insurance contracts. Non-deferred first year acquisition costs that are expensed as incurred include expenses that do not meet the definition of a deferrable cost, which includes the acquisition costs incurred on insurance applications that do not result in an in-force policy (unsuccessful efforts).

The amortization of DAC for traditional life insurance products is determined as a level proportion of premium based on actuarial methods and assumptions about mortality, morbidity, lapse rates, expenses, and future yield on related investments, established by us at the time the policy is issued. GAAP requires that assumptions for these types of products not be modified while the policy is outstanding. Amortization is adjusted each period to reflect policy lapse or termination rates compared to anticipated experience. Accordingly, acceleration of DAC amortization could occur if policies terminate earlier than originally assumed. We establish the assumptions used to determine DAC amortization based on estimates using company experience and other relevant information that is used to price the products. We monitor our actual experience and will update the actuarial factors applied to future policy issues if warranted. The selection of actuarial assumptions requires considerable judgment and has inherent uncertainty. Should actual policy lapse experience be higher than that assumed during a reporting period, we will amortize our DAC balance faster and report lower net income.

We evaluate the recoverability of our DAC asset as part of our premium deficiency testing. If a premium deficiency exists, we reduce DAC by the amount of the deficiency through a charge to current period earnings (loss). If the deficiency is more than the recognized DAC balance, we reduce the DAC balance to zero and increase the reserve for future policy benefits by the excess with a corresponding charge to current period earnings (loss). See “—Future Policy Benefit Reserves” below for more information on premium deficiency testing.

Our consolidated DAC will be lower relative to other insurance companies that utilize unaffiliated distributors. GAAP does not permit the deferral of commission revenues paid to Efinancial, our affiliated agency, in excess of those expenses actually incurred by Efinancial in the placement of the policy. Because we are focused on increasing insurance premium volume through Efinancial, our operating results will reflect higher current period expenses and lower current reported net income. Therefore, in consolidation, the first-year commission acquisition costs (“Commission DAC”) recorded in our insurance segment is reduced to reflect the elimination of that portion of Commission DAC that results from expenses of Efinancial that cannot be directly tied to the successful placement of a policy. The amount of eliminated Commission DAC is charged to current expense, and acquisition cost DAC is recorded at a reduced amount, which represents the amount of Commission DAC that is eligible for deferral. As a result of recognizing expenses for the Efinancial sales immediately, we will recognize a charge against our consolidated earnings (loss) and consolidated equity in the amount of such expenses for the period in which they are incurred. See “—Results of Operations—Analysis of Segment Results—Corporate Segment—Intercompany Eliminations.”

Future Policy Benefit Reserves

We calculate and maintain reserves for estimated future claims payments to policyholders using actuarial assumptions in accordance with industry practice and GAAP. Many factors affect these reserves, including mortality trends, policy persistency and investment returns. We establish our reserves based on estimates, assumptions and our analysis of historical experience.

The calculation of future policy reserves requires the use of significant judgment and is inherently uncertain. If our actual experience differs from the experience assumed in establishing our reserves, the impact of these differences is reflected in the results of operations in each period. If actual claims are higher than assumed claims experience, our reported income (loss) will be reduced (increased) for the periods in which this experience occurs. If actual policy lapses are higher than that assumed, our future policy benefit reserves will be reduced for the period in which this experience occurs.

The primary reserve method that is used in calculation of our future policy benefit reserves is the net level premium method. The net level premium method requires that the future policy benefit reserves are accrued as a level proportion of the premium paid by the policyholder. In applying this method, we use a number of actuarial assumptions that represent management’s best estimate at the time the contract was issued with, the addition of a margin for adverse deviation. Actuarial assumptions include estimates of morbidity, mortality, policy persistency, discount rates and expenses over the life of the contracts.

A premium deficiency can exist if the discounted present value of future gross premiums is not sufficient to cover anticipated future cash flows. To assess the adequacy of our benefit reserves, we annually perform premium deficiency testing for each of our lines of business using best estimate assumptions as of the date of the test without provision for adverse deviation. If benefit reserves minus the DAC asset are less than the present value of future cash flows on the line of business, then first the DAC asset will be reduced. If reducing the DAC asset down to zero is still not sufficient to eliminate the premium deficiency, then benefit reserves will be increased. Recognizing a premium deficiency will reduce our reported net income, or increase our reported loss, for the period.

In connection with our premium deficiency testing on our most significant business lines, we performed sensitivity analyses on our core life, non-core life, closed block, and annuities and assumed life business lines to capture the effect that certain key assumptions have on expected future cash flows, and the impact of those assumptions on the adequacy of DAC balances and GAAP benefit reserves. The sensitivity tests are performed independently, without consideration for any correlation among the key assumptions.

We performed the following sensitivity tests as of September 30, 2018:

- future lapse assumptions increased by a multiplicative factor of 1.05,
- future mortality increased by a multiplicative factor of 1.05 for all life blocks,
- future investment yield assumptions were lowered by 50 basis points.

Under all tests described above, the DAC was still recoverable on the core life, non-core life, and the closed block lines. For the annuities and assumed life line, there is no remaining DAC due to the age of the contracts. As such, these sensitivity runs tested the adequacy of the benefit reserves for these lines. For the annuities and assumed life line, a drop in investment yield of 50 basis points would result in a required reserve increase of \$0.5 million, for the 105% mortality scenario the result would be a required increase of \$0.6 million, while for the lapse scenario there would be no impact to benefit reserves.

Intangible Assets

Intangible assets include trade names, internet domain sites, software and contract-based assets composed of future renewal commissions, distribution agreements, and non-compete agreements. These intangible assets, with the exception of trade names, are amortized over their expected useful lives based on the expected pattern of benefit of the asset.

We amortize the domain site intangible assets on a straight-line basis over a useful life of ten years and software intangible assets are amortized over a useful life of four years using an accelerated amortization method. Contract-based intangible assets are amortized on a straight-line basis over a useful life of primarily five years, with the exception of some distribution contracts where the amortization period is seven years. Trade names are not amortized as they have been determined to have indefinite useful lives. Trade names are tested at least annually for impairment using expected future cash flows.

The determination of the estimated fair value and estimated useful lives of intangible assets require the exercise of considerable management judgment. If the actual useful life is less than that assumed or the pattern of benefits is shorter than that used in developing the initial estimates, we could write down the carrying value of intangible assets and reduce our reported income, or increase our reported loss.

Interim impairment testing may be performed when events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, which requires the use of estimates and judgment, and, if impaired, are written down to fair value based on discounted cash flows. For the years ended December 31, 2018 and December 31, 2017, we have not recorded an impairment of intangible assets.

Commission Revenue Recognition

We recognize commission revenue from the sale of insurance products by Efinancial. We recognize revenue at the time that the insurance policy is issued by the insurance company and accepted by the customer, which we call policy placement. We record as Efinancial revenue the full amount of first year commission to be paid on the sale. The commission payment terms of each carrier vary according to the contract that we have with the carrier. Some carriers will advance a portion of the premium at policy placement. Other carriers pay the commission as they collect and earn the policy premiums. We record a commission receivable at policy placement, net of any advances received. We establish a provision for commission revenue that, based on experience, will ultimately not be earned due to the customer discontinuing the underlying insurance policy. Our agency segment results include revenue from third party agencies and from Fidelity Life. The revenues from Fidelity Life sales are eliminated in consolidation.

Income Taxes

We file a consolidated Federal income tax return that includes both a life insurance company subgroup and a non-life subgroup. Under the Federal income tax regulations, the taxation of life insurance companies is subject to special rules not

applicable to non-life companies. Accordingly, we have to consider the implications of these different tax rules in accounting for income tax expense. We record federal income tax expense in our consolidated statements of earnings based on pre-tax income as determined using GAAP accounting. The timing of the recognition of certain income and expense items for GAAP accounting can differ from the timing of recognition of the same income and expense items in our federal tax returns. The timing of recognition in the federal tax return is based on tax laws and regulations. As a result, the annual tax expense reflected in our consolidated statements of earnings is different than that reported in the tax returns. We account for income taxes under the asset and liability method, which requires the recognition of deferred taxes for temporary differences between the financial statement and tax return basis of assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years for which we have already recorded the tax benefit in our income statement. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expenditures for which we have already taken a deduction in our tax return but have not yet been recognized in our financial statements. Under GAAP we are required to evaluate the recoverability of our deferred tax assets and establish a valuation allowance if necessary to reduce our deferred tax assets to an amount that is more likely than not to be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. As of December 31, 2018 and December 31, 2017, we had recorded net deferred tax assets of \$22.1 million and \$15.5 million and a valuation allowance of \$11.5 million and \$10.6 million, respectively, resulting in a net deferred tax asset of \$10.7 million and \$4.9 million, respectively. To the extent that we are required to establish an additional valuation allowance against deferred income tax assets, the amount of such valuation allowance would be charged against our net income for the period in which that valuation allowance is established.

We establish or adjust valuation allowances for deferred tax assets when we estimate that it is more likely than not that future taxable income will be insufficient to fully use a deduction or credit. In assessing the need for the recognition of a valuation allowance for deferred tax assets, we consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized and adjust the valuation allowance accordingly. We evaluate all significant available positive and negative evidence as part of our analysis. Negative evidence includes the existence of losses in recent years. Positive evidence includes the forecast of future taxable income and tax-planning strategies that would result in the realization of deferred tax assets. The underlying assumptions we use in forecasting future taxable income require significant judgment and take into account our recent performance. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which temporary differences are deductible or creditable. If actual experience differs from these estimates and assumptions, the recorded deferred tax asset may not be fully realized, resulting in an increase to income tax expense in our results of operations.

As of December 31, 2018, we had a 100% valuation allowance recorded against the deferred tax assets related to the non-life subgroup of our tax return because we determined that it is more likely than not that these assets will not be recoverable. The recording of the valuation allowance increases our federal income tax expense which in turn reduces our reported net income, or increases our net loss as applicable. Our recorded net deferred tax liability is shown in the following table. The balances for each period are shown based on the life/non-life portions of the consolidated federal tax returns and in total.

	December 31, 2018			December 31, 2017		
	Life	Non-Life	Total	Life	Non-Life	Total
(dollars in thousands)						
Deferred Tax Asset						
Total deferred tax assets	\$49,874	\$ 18,271	\$ 68,145	\$45,140	\$ 15,653	\$ 60,793
Total deferred tax liabilities	39,211	6,787	45,998	40,215	5,058	45,273
Net deferred tax asset (liability) before valuation allowance	10,663	11,484	22,147	4,925	10,595	15,520
Valuation allowance	—	(11,484)	(11,484)	—	(10,595)	(10,595)
Deferred income tax asset	\$10,663	\$ —	\$ 10,663	\$ 4,925	\$ —	\$ 4,925

Due to the valuation allowance on the non-life subgroup, the effective income tax rate reflected on our statement of operations will vary depending on the portion of our pretax income (loss) that results from our life subgroup and the portion from our non-life subgroup. With the current full valuation allowance, the current tax benefit related to our non-life subgroup is limited. We continue to record tax expense (benefit) related to the pretax income (loss) of our life subgroup.

Principal Revenue & Expense Items

Revenues

Our primary revenue sources are life insurance premiums, commissions, net investment income, realized investment gains and losses and other income.

Net Premiums

Net premiums consist of direct life insurance premiums due and collected from our policyholders on in-force insurance policies and premiums collected on assumed life reinsurance contracts, less reinsurance premiums paid to reinsurers. Direct premiums are recorded in our insurance segment and classified as first year premiums when they relate to the first calendar year coverage period. Premiums for policies outside their first calendar year are called renewal premiums.

Earned Commission Revenue

Earned commission revenue consists of amounts received and due from insurance carriers on policies sold by Efinancial and is recorded in our agency segment. However, the commission revenue from sales of Fidelity Life policies is eliminated in our consolidated statement of operations because Efinancial and Fidelity Life are affiliated.

Net Investment Income

Investment income consists of income generated from our investment portfolio and is recorded net of related expenses incurred to manage our investments. Investment income primarily consists of interest income earned on fixed maturity investments and dividends earned on our equity holdings, net of related expenses incurred to manage our investments. Net investment income earned on assets required to support insurance reserves, annuity deposits and related regulatory capital requirements is allocated to our insurance segment. Any other net investment income is recorded in the corporate segment.

Net Realized Investment Gains (Losses)

Net realized investment gains (losses) result from sales of investment securities and OTTI for estimated credit losses of fixed income investments.

Other Income

In our agency segment, other income consists of (i) click-through revenues we generate when leads click through to our webpages to access information about life insurance options sponsored by another company, (ii) data revenues we generate through the sale of information regarding leads sourced through the eCoverage landing pages, and (iii) transfer revenues we generate from the sales of insurance leads. For our insurance segment, other income primarily consists of cost of insurance charges on universal life contracts.

Benefits and Expenses

This category consists of benefits to policyholders, which include policyholder dividends and policyholder dividend obligations (PDO), interest credited to policyholder and contractholder balances, general operating expenses and amortization of DAC.

Life, Annuity and Health Benefits

Benefit expenses are recorded in our insurance segment. Benefit expenses include claims paid or payable on in-force insurance policies, as well as the change in our reserves for future policy benefits during the period. Benefit expenses are reduced by amounts ceded to reinsurance companies with whom we contract to share policy risks.

Interest Credited to Policyholder and Contractholder Account Balances

The interest credited primarily relates to amounts that contractholders earn on any contractholder deposits from our assumed annuity contracts and other amounts left on deposit with us. Our universal life policies and assumed annuity contracts require Fidelity Life to periodically establish the crediting rate to be paid on policyholder and contractholder deposits. All current assumed annuity contracts are credited with interest at the minimum interest rate guaranteed in the contract. Interest credited relates solely to our insurance segment.

General Operating Expenses

Operating expenses are incurred by all of our segments. The operating expenses of our insurance segment include policy acquisition costs in excess of amounts that qualify for deferral, ceding commissions received on ceded reinsurance in excess

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of amounts deferred, variable policy administration costs, general overhead and administration costs, and insurance premium taxes and assessments paid to various states. Agency segment expenses consist of compensation paid to employee sales agents, costs of insurance sales leads (marketing), costs of sales management and support activities, agent licensing expenses and general overhead and administration expenses. The expenses of the corporate segment includes allocation of a portion of the compensation of senior executives related to corporate activities, board of director expenses related to corporate business, and other operating costs considered to be of a corporate nature and not directly related to either of our other business segments. Overhead and administrative expenses of the segments include employee costs (salaries, bonuses and benefits), office rent, information technology and costs of third party administrators and other contractors.

Amortization of DAC

DAC amortization represents the actuarially determined reduction in the DAC asset for the period. The amount of acquisition cost amortization recognized each period is based on actual factors established when the insurance contracts were written.

Results of Operations

The major components of operating revenues, benefits and expenses and net (loss) income are as follows:

MMHC Consolidated Results of Operations (dollars in thousands)

	For the Years Ended December 31,	
	2018	2017
REVENUES		
Net insurance premiums	\$ 88,573	\$ 82,873
Net investment income	15,101	15,119
Net realized investment (losses) gains	(967)	571
Earned commissions	13,404	11,514
Other income	7,869	5,793
Total revenues	<u>123,980</u>	<u>115,870</u>
BENEFITS AND EXPENSES		
Life, annuity, and health claim benefits	56,556	56,035
Interest credited to policyholder account balances	3,598	3,776
General operating expenses	68,353	55,912
Amortization of deferred policy acquisition costs	11,506	10,926
Amortization of intangible assets	164	163
Total benefits and expenses	<u>140,177</u>	<u>126,812</u>
(Loss) before income taxes	(16,197)	(10,942)
Income tax benefit	(2,350)	(2,701)
NET (LOSS)	<u>\$ (13,847)</u>	<u>\$ (8,241)</u>

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Total Revenues

For the year ended December 31, 2018, total revenues were \$124.0 million compared to \$115.9 million for the year ended December 31, 2017. This increase of \$8.1 million (7.0%) resulted from higher net insurance premiums, agency commissions and data and click revenue.

Benefits and Expenses

For the year ended December 31, 2018, total benefits and expenses were \$140.2 million compared to \$126.8 million for the year ended December 31, 2017. This increase of \$13.4 million (10.5%) was primarily due to increases in general operating expenses as a result of increases in variable sales costs, commission expenses net of reinsurance allowances and variable policy issue and maintenance expenses, partially offset by decreases in net life insurance benefits.

Loss Before Income Taxes

For the year ended December 31, 2018, we had a loss before taxes of \$16.2 million compared to a loss before taxes of \$10.9 million for the year ended December 31, 2017. This increased loss of \$5.3 million (48%) was due to increases in operating expenses, partially offset by higher net insurance premiums, lower life and annuity claim benefits, and higher lead sales revenue.

Income Taxes

For the year ended December 31, 2018, our income tax benefit was \$2.4 million compared to an income tax benefit of \$2.7 million for the year ended December 31, 2017. The decrease of \$0.3 million reflected the changes in the corporate tax rate related to the Tax Act. The Tax Act reduced the federal tax rate for corporations to 21%. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes.”

Analysis of Segment Results

Reconciliation of Segment Results to Consolidated Results

The following analysis reconciles the reported segment results to the MMHC total consolidated results. The main difference is the intercompany eliminations.

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
(LOSS) BEFORE INCOME TAXES BY SEGMENT		
Agency operations	\$ (759)	\$ (624)
Insurance operations	(629)	2,343
Corporate operations	(4,765)	(4,713)
Eliminations	(10,044)	(7,948)
(Loss) before income taxes	(16,197)	(10,942)
Income tax (benefit)	(2,350)	(2,701)
NET (LOSS)	\$ (13,847)	\$ (8,241)

Agency Segment

The results of our agency segment were as follows:

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
REVENUE		
Earned commissions	\$ 42,261	\$ 34,796
Other income	7,633	5,529
Total revenues	49,894	40,325
EXPENSES		
General operating expenses	50,489	40,786
Amortization of intangibles	164	163
Total expenses	50,653	40,949
(Loss) before income taxes	\$ (759)	\$ (624)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Earned Commissions

For the year ended December 31, 2018, earned commissions were \$42.3 million compared to \$34.8 million for the year ended December 31, 2017. This increase of \$7.5 million (21.6%) resulted from increased sales of certain Fidelity Life

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products, as reflected by the increase in annualized issued premium produced by the retail call center to \$39.1 million from \$31.0 million (26.1%) for the years ended December 31, 2018 and December 31, 2017, respectively, partially offset by a reduction in wholesale production.

Other Income

For the year ended December 31, 2018, other income was \$7.6 million compared to \$5.5 million for the year ended December 31, 2017. This increase of \$2.1 million (38.2%) was primarily due to increased lead sales revenue in 2018 from 2017.

General Operating Expenses

For the year ended December 31, 2018, general operating expenses were \$50.5 million compared to \$40.8 million for the year ended December 31, 2017. This increase of \$9.7 million (23.7%) was due to increases in variable cost of sales of \$8.3 million and overhead expenses of \$1.4 million. The variable cost of sales increase consisted of both increased agents' compensation and marketing costs.

Net Income (Loss)

For the year ended December 31, 2018, the agency segment incurred a net loss of \$0.8 million compared to a net loss of \$0.6 million for the year ended December 31, 2017. This increase in net loss of \$0.2 million was the result of higher general operating expenses, partially offset by increases in earned commissions and lead sales revenue.

Insurance Segment

The results of our insurance segment were as follows:

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Revenue:		
Net insurance premiums	\$ 88,573	\$82,873
Net investment income	15,197	15,215
Net realized investment gains	(967)	571
Other income	236	264
Total revenues	\$103,039	\$98,923
Benefits and Expenses:		
Life and annuity benefits	\$ 56,556	\$56,035
Interest credited to policyholder account balances	3,598	3,776
General operating expenses	27,486	21,368
Amortization of deferred policy acquisition costs	16,028	15,401
Total benefits and expenses	103,668	96,580
Income (loss) before income taxes	(629)	2,343

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Premium Revenues

For the year ended December 31, 2018, net insurance premiums were \$88.6 million compared to \$82.9 million for the year ended December 31, 2017. This increase of \$5.7 million (6.9%) in net insurance premiums was primarily due to increases in core net premiums of \$4.6 million and \$1.1 million in our non-core lines.

Net Investment Income

For the year ended December 31, 2018, net investment income was \$15.2 million compared to \$15.2 million for the year ended December 31, 2017. Interest income from fixed maturity securities decreased by \$0.2 million as a result of a decrease in this invested asset base and a lower book yield. This decrease was offset by a \$0.2 million increase in interest income from commercial mortgage loans due to increased purchases of new mortgage loans in 2018.

(Net) Realized Investment Gains (Loss)

For the year ended December 31, 2018, realized investment losses were (\$1.0) million compared with realized investment gains of \$0.6 million for the year ended December 31, 2017. This decrease of \$1.6 million was mainly due to decreased realized gains on sales of fixed maturity securities of \$0.7 million, a \$0.2 million decrease in release of the mortgage loan valuation allowance and mark-to-market losses on equity securities held as trading securities and limited partnerships of \$0.7 million.

Other Income

For the year ended December 31, 2018, other income was \$0.2 million compared with \$0.3 million for the year ended December 31, 2017.

Life, Annuity and Health Claim Benefits

For the year ended December 31, 2018, life and annuity claim benefits were \$56.6 million compared with \$56.0 million for the year ended December 31, 2017. This increase of \$0.6 million (1.1%) was mainly attributable to an increase in future policy-holder benefit reserves of \$5.2 million, partially offset by a reduction in claim benefits and dividends of \$4.7 million primarily from our core and non-core lines.

Interest Credited to Policyholder Account Balances

For the year ended December 31, 2018, interest credited was \$3.6 million compared to \$3.8 million for the year ended December 31, 2017. This decrease of \$0.2 million is due to reduced interest credited on lower assumed fixed annuity contractholder account balances.

General Operating Expenses

For the year ended December 31, 2018, general operating expenses were \$27.5 million compared to \$21.4 million for the year ended December 31, 2017. This increase of \$6.1 million (28.5%) was mainly due to a \$1.7 million increase in commissions due to premium growth, reduction of ceding allowances of \$1.6 million due to the run-off of the closed block, \$2.6 million of higher variable policy issuance costs and maintenance expense due to increased sales and a larger in-force block of business, and a \$0.2 million increase in reserve financing costs.

Amortization of Deferred Acquisition Costs

For the year ended December 31, 2018, amortization of deferred acquisition costs was \$16.0 million compared to \$15.4 million for the year ended December 31, 2017. This increase reflects an increase from Closed Block of \$0.7 million primarily due to lapses and offset by a \$0.1 million decrease in our Core and Non-Core lines.

Net (loss) income

For the year ended December 31, 2018, net (loss) was (\$0.6) million compared to net income of \$2.3 million for the year ended December 31, 2017. The decrease in net income of \$2.9 million resulted primarily from higher general operating expenses and decreases in net realized investment gains, offset by an increase in net insurance premium, and reductions in life and annuity benefits.

Closed Block

The closed block was formed as of October 1, 2006 and contains all participating policies issued or assumed by Fidelity Life. The assets and future net cash flows of the closed block are available only for purposes of paying benefits, expenses and dividends of the closed block and are not available to the Company, except for an amount of additional funding that was established at inception. The additional funding was designed to protect the block against future adverse experience, and if the funding is not required for that purpose, it is subject to reversion to the Company in the future. Any reversion of closed block assets to the Company must be approved by the Illinois Department of Insurance. See “Note 6—Closed Block” in the accompanying audited condensed consolidated financial statements and “Note 9—Closed Block” in the accompanying audited consolidated financial statements included in this prospectus. The closed block is included in our insurance segment. The condensed financial statements of the closed block are as follows:

	As of December 31,	
	2018	2017
	(dollars in thousands)	
Closed Block Liabilities		
Future policy benefits	\$58,468	\$ 74,540
Policyholder account balances	8,147	8,655
Other policyholder liabilities	3,856	5,837
Policyholder dividend obligation	9,383	11,097
Other liabilities	(1,061)	5,014
Total Closed Block liabilities	<u>78,793</u>	<u>105,143</u>
Assets Designated to the Closed Block		
Investments		
Fixed maturity securities—available-for-sale (amortized cost \$34,631 and \$36,080, respectively)	36,104	39,763
Policyholder loans	1,321	1,490
Total investments	<u>37,425</u>	<u>41,253</u>
Cash and cash equivalents	2,664	3,330
Premiums due and uncollected	2,595	4,655
Accrued investment income	450	475
Reinsurance recoverables	36,900	54,933
Deferred income tax assets	5,314	5,783
Total assets designated to the Closed Block	<u>85,348</u>	<u>110,429</u>
Excess of Closed Block liabilities over designated assets	<u>6,555</u>	<u>5,286</u>
Amounts included in accumulated other comprehensive income:		
Unrealized investment gains, net of income tax	1,164	2,430
Allocated to policyholder dividend obligation, net of income tax	(565)	(1,634)
Total amounts included in accumulated other comprehensive income	<u>599</u>	<u>796</u>
Maximal future earnings to be recognized from Closed Block assets and liabilities	<u>\$ (5,956)</u>	<u>\$ (4,490)</u>
	For the Years Ended	
	December 31,	
	2018	2017
	(dollars in thousands)	
Balance at January 1,	\$ 11,097	\$ 9,652
Impact from earnings allocable to policyholder dividend obligation	47	987
Change in net unrealized Investment (losses) gains allocated to policyholder dividend obligation	(1,761)	458
Balance at end of period	<u>\$ 9,383</u>	<u>\$ 11,097</u>

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	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Revenues:		
Net life insurance premiums	\$ 5,525	\$ 4,889
Net investment income	1,611	1,734
Net realized investment gains (losses)	38	161
Total revenues	7,174	6,784
Benefits and expenses:		
Life and annuity benefits—including policyholders dividends of \$1,209 and \$2,081 in 2018 and 2017, respectively	5,044	3,692
Interest credited to policyholder account balances	207	223
General operating expenses	127	(2,125)
Total benefits and expenses	5,124	1,790
Revenues, net of expenses before provision for income tax expense	2,050	4,994
Income tax expense	430	5,143
Revenue, net of expenses and provision for income tax expense	\$ 1,620	\$ (149)

The maximum future earnings to be recognized from closed block assets and liabilities represent the estimated future closed block profits that will accrue to the Company and is calculated as the excess of closed block liabilities over closed block assets. Included in closed block assets at December 31, 2018 and December 31, 2017 are \$9.5 million and \$9.2 million, respectively, of additional closed block funding, plus accrued interest, that is eligible for reversion to the Company if not needed to fund closed block experience.

The closed block was funded based on a model developed to forecast the future cash flows of the closed block which is referred to as the “glide path.” The glide path model projected the anticipated future cash flows of the closed block as established at the initial funding. We compare the actual results of the closed block to expected results from the glide path as part of the annual assessment of the current level of policyholder dividends. The assessment of policyholder dividends includes projections of future experience of the closed block policies and the investment experience of the closed block assets. The review of closed block experience also includes consideration of whether a policy dividend obligation should be recorded to reflect favorable closed block experience that has not yet been reflected in the dividend scales. The recorded policyholder dividend obligation at December 31, 2018 and December 31, 2017 totaled \$9.4 million and \$11.1 million, respectively, and consisted of favorable policy experience on the closed block policies (\$8.7 million and \$8.6 million, respectively) and unrealized gains on the closed block fixed maturity security portfolio holdings (\$0.7 million and \$2.5 million, respectively).

Corporate Segment

The results of the corporate segment are as follows:

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Revenue:		
Net investment income	\$ 290	\$ 210
Total revenue	290	210
Expenses:		
General operating expenses	5,055	4,923
Total expenses	5,055	4,923
(Loss) before income taxes	\$ (4,765)	\$ (4,713)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

General Operating Expenses

For the year ended December 31, 2018, general operating expenses were \$5.1 million compared to \$4.9 million for the year ended December 31, 2017. This increase in general operating expenses of \$0.2 million (4.1%) was due to an increase in allocated salary related expenses in 2018.

Net Loss

The net loss for the year ended December 31, 2018 increased \$0.1 million (2.1%) to \$4.8 million from a net loss of \$4.7 million for the year ended December 31, 2017. The increase in the net loss was mainly due to an increase in staff costs from 2017.

Intercompany Eliminations

The impact of the eliminations for intercompany transactions primarily consists of the sales by our agency segment of life products of our insurance segment. The eliminations represent the amounts required to eliminate the intercompany transactions as recorded in our segment results, and in particular, to eliminate any intersegment profits resulting from such transactions. Our segment results follow the accounting principles and methods applicable to each segment as if the intercompany transactions were with unaffiliated organizations:

Revenue—our agency segment recognizes all commission revenue to be paid for the first year that the policy is in force at the date that the insurance policy goes in force at the carrier.

Expense—our insurance segment recognizes the first-year commission as a policy acquisition cost, in proportion to the premiums earned from providing insurance coverage throughout the first year that the policy is in force. In addition, our insurance segment defers the amount by which the first-year commission acquisition costs exceed the ultimate renewal commission and records this amount as deferred acquisition cost that is amortized over the expected life of the policy.

Viewed at the segment level, because of the timing difference between the agency segment's immediate recognition of commission revenue and the insurance segment's deferral and amortization of the commission expense over the expected life of the policy, all else being equal, the sale of a policy through our agency segment results in an intersegment profit in an amount equal to the difference between the commission paid and the related amortization expense. However, in consolidation, two impacts occur. First, the intercompany revenue recognized by our agency segment and the related deferred acquisition expense recorded by our insurance segment are eliminated. Second, we record deferred acquisition costs equal to that portion of Commission DAC that can be tied directly to Efinancial's expenses incurred in the successful placement of a policy. Therefore, in consolidation, the Commission DAC recorded in our insurance segment is effectively reduced to reflect the elimination of that portion of Commission DAC that results from Efinancial expenses that cannot be directly tied to the successful placement of a policy. The amount of eliminated Commission DAC, which represents a majority of the Commission DAC, is charged to current expense, and acquisition cost DAC is recorded at a reduced amount, which represents the amount of Commission DAC that is eligible for deferral under GAAP. See "—Critical Accounting Policies—Deferred Policy Acquisition Costs (DAC)" and "Factors Affecting our Results—Strategic Goals and Financial Impact of Sales of Policies Produced by Efinancial" for more information. The results of these elimination entries were as follows:

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Revenue:		
Net investment (loss) income	\$ (386)	\$ (306)
Earned commissions	(28,857)	(23,282)
Total revenues	(29,243)	(23,588)
Expenses:		
Commission expense	(14,291)	(10,859)
General operating expenses	(386)	(306)
Amortization of deferred policy acquisition costs	(4,522)	(4,475)
Total expenses	(19,199)	(15,640)
(Loss) before income taxes	<u>\$ (10,044)</u>	<u>(7,948)</u>

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

For the year ended December 31, 2018, the impact of intercompany eliminations on pre-tax income was a reduction of \$10.0 million compared to a \$7.9 million reduction for the year ended December 31, 2017. This decrease in pre-tax income of \$2.1 million (26.6%) was mainly due to a higher volume of intercompany sales period-over-period.

Investments***Investment Returns***

We invest our available cash and funds that support our regulatory capital, surplus requirements and policy reserves in investment securities that are included in our insurance and corporate segments. We earn income on these investments in the form of interest on fixed maturity securities (bonds and mortgage loans) and dividends (equity holdings). Investment income is recorded net of investment related expenses as revenue. The amount of net investment income that we recognize will vary depending on the amount of invested assets that we own, the types of investments we own, the interest rates earned and amount of dividends received on our investments.

Gains and losses on sales of investments are classified as “realized investment gains (losses)” and are recorded as revenue. Capital appreciation and depreciation caused by changes in the market value of investments classified as “available-for-sale” is recorded in accumulated other comprehensive income. The amount of investment gains and losses that we recognize depends on the amount of and the types of invested assets we own and the market conditions related to those investments. Our cash needs can vary from time to time and could require that we sell invested assets to fund cash needs.

Investment Guidelines

Our investment strategy and guidelines are developed by management and approved by the investment committee of Fidelity Life’s board of directors. Our investment strategy related to our insurance segment is designed to maintain a well-diversified, high quality fixed income portfolio that will provide adequate levels of net investment income and liquidity to meet our policyholder obligations under our life insurance policies and our assumed annuity deposits. To help maintain liquidity we establish the duration of invested assets within a tolerance to the policy liability duration. The investments of our insurance segment are managed with an emphasis on current income within quality and diversification constraints. The focus is on book yield of the fixed income portfolio as the anticipated portfolio yield is a key element used in pricing our insurance products and establishing policyholder crediting rates on our annuity contracts.

We apply our overall investment strategy and guidelines on a consolidated basis for purposes of monitoring compliance with our overall guidelines. Almost all of our investments (over 99%) are owned by Fidelity Life and are maintained in compliance with insurance regulations. Critical guidelines of our investment plan include:

- Asset concentration guidelines that limit the amount that we hold in any one issuer of securities,
- Asset quality guidelines applied on a portfolio basis and for individual issues that establish a minimum asset quality standard for portfolios and establish minimum asset quality standards for investment purchases and investment holding,
- Liquidity guidelines that limit the amount of illiquid assets that can be held at any time, and
- Diversification guidelines that limit the exposure at any time to the total portfolio by investment sectors.

Our investment portfolios are all managed by third party investment managers that specialize in insurance company asset management and in particular these managers are selected based upon their expertise in the particular asset classes that we own. We contract with an investment management firm to provide overall assistance with oversight of our portfolio managers, evaluation of investment performance and assistance with development and implementation of our investment strategy. This investment management firm reports to our Chief Financial Officer and to the Investment Committee of Fidelity Life’s board of directors. On a quarterly basis, or more frequently if circumstances require, we review the performance of all portfolios and portfolio managers with the Investment Committee.

The following table shows the distribution of the fixed maturity securities classified as available-for-sale by quality rating using the rating assigned by Standard & Poor’s, a nationally recognized statistical rating organization. Over the periods presented, we have maintained a consistent weighted average bond quality rating of “A.” The percentage allocation of total

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investment grade securities has increased to 94.0% at December 31, 2018 from 90.7% at December 31, 2017 due to the S&P ratings on certain new securities acquired in our portfolio of distressed residential mortgage-backed securities.

S&P Rating	Estimated Fair Value			
	December 31, 2018		December 31, 2017	
	(dollars in thousands)			
AAA	\$ 80,606	26.4%	\$ 74,535	22.1%
AA	40,583	13.2%	33,988	10.1%
A	93,214	30.4%	115,585	34.2%
BBB	57,599	18.8%	58,240	17.2%
Not rated	16,076	5.2%	24,047	7.1%
Total investment grade	288,078	94.0%	306,395	90.7%
BB	11,895	3.9%	18,399	5.5%
B	4,802	1.6%	12,874	3.8%
CCC	1,802	0.6%	0	0.0%
D	8	0.0%	0	0.0%
Total below investment grade	18,508	6.0%	31,273	9.3%
Total	\$306,586	100.00%	\$337,668	100.0%

The following table sets forth the maturity profile of our debt securities at December 31, 2018 and December 31, 2017. Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without penalty.

	December 31, 2018				December 31, 2017			
	Amortized Costs		Estimated Fair Value		Amortized Costs		Estimated Fair Value	
	%		%		%		%	
	(dollars in thousands)							
Due in one year or less	\$ 7,395	2.4%	\$ 7,434	2.4%	\$ 18,748	5.9%	\$ 18,975	5.6%
Due after one year through five years	53,759	17.7%	54,239	17.7%	63,495	19.9%	65,808	19.5%
Due after five years through ten years	41,125	13.5%	40,866	13.3%	45,615	14.3%	47,514	14.1%
Due after ten years	85,398	28.1%	88,461	28.9%	90,703	28.4%	103,749	30.7%
Securities not due at a single maturity date—primarily mortgage and asset-backed securities	116,626	38.3%	115,586	37.7%	100,405	31.5%	101,622	30.1%
Total debt securities	\$ 304,303	100.00%	\$ 306,586	100.00%	\$ 318,966	100.0%	\$ 337,668	100.0%

Every quarter we review all investments where the market value is less than the carrying value to ascertain if the impairment of the security's value is other than temporary ("OTTI"). The quarterly review is targeted to focus on securities with larger impairments and that have been in an impaired status for longer periods of time. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Other-Than-Temporary Impairments on Available-For-Sale Securities."

Net Investment Income

One key measure of our investment income is the book yield on our holdings of fixed maturity securities classified as available-for-sale, which totaled \$304 million and \$319 million and 83.3% and 85.9% of our invested assets as of December 31, 2018 and December 31, 2017, respectively. Book yield is the effective interest rate, before investment expenses, that we earn on these investments. Book yield is calculated as the percent of net investment income to the average amortized cost of the underlying investments for the period. For the years ended December 31, 2018 and December 31, 2017, our book yield on fixed maturity securities available-for-sale was 4% and 4%, respectively.

Interest Credited on Contractholder Deposits

Included with the future policy benefits is the liability for contractholder deposits on deferred annuity contracts assumed through two reinsurance agreements effective in 1991 and 1992 and certain other policy funds left on deposit with the Company. The aggregate liability for deposits is as follows:

	December 31, 2018			December 31, 2017		
	Ending Balance	Year to Date Interest Credited	Average Credit Rate	Ending Balance	Year to Date Interest Credited	Average Credit Rate
(dollars in thousands)						
Annuity contract holder deposits—assumed	\$83,299	\$ 3,353	4.0%	\$88,725	\$ 3,518	4.0%
Dividends left on deposit	8,147	207	2.5%	8,655	223	2.6%
Other	1,605	38	2.4%	1,519	35	2.3%
Total	<u>\$93,051</u>	<u>\$ 3,598</u>	3.9%	<u>\$98,899</u>	<u>\$ 3,776</u>	3.8%

The liability for deferred annuity deposits represents the contractholder account balances. Due to the declines in market interest rates and the book yield on our investment portfolio, we credit interest on all contractholder deposit liabilities at contractual rates that are currently at the minimum rate allowed by the contract or by state regulations.

Our insurance segment realizes operating profit from the excess of our book yield realized on fixed maturity securities that support our contractholder deposits over the amount of interest that we credit to the contractholder. We refer to this operating profit as the “spread” we earn on contractholder deposits. Our book yields on fixed maturity investments have declined in recent periods due to current market conditions. If book yields continue to decline, the amount of spread between the interest earned and credited will be reduced.

Net Realized Investment Gains (Losses)

Realized investment gains and losses are subject to general economic trends and in particular correlate generally with movements in the major equity market indexes. The amounts classified as realized gains and losses in our statement of operations include amounts realized from sales of investments, mark-to-market adjustments on investments classified as trading securities, equity holdings and investments that use the equity method of accounting (limited partnerships) and other-than-temporary impairments of individual securities related to credit impairments.

Net realized investment gains (losses) that we recognize are influenced to a great degree by the mark-to-market on our trading securities portfolios and the adjustments resulting from the application of equity method accounting for our limited partnership investments. The period to period changes in the investments reflect the impact of market volatility on our reported results, as can be seen from the following table. We hold these trading securities portfolios to diversify our invested assets. Most of these investments are either direct equity securities or have a good degree of correlation to the results of the equity markets.

	For the Years Ended December 31,	
	2018	2017
(dollars in thousands)		
Net Realized Investment Gains (Losses)		
Sales of Investments:		
Fixed maturity securities, available-for-sale	\$ 134	\$ 843
Limited partnerships	22	89
Other-than-temporary impairment losses on fixed maturity securities, available-for-sale—net	—	—
Trading securities—(losses) gains:		
Equity securities	(1,140)	(609)
Investment expenses	(52)	(22)
Mortgage loans impairments	32	214
Equity method—limited partnerships	37	56
Total net realized investment (losses) gains	<u>\$ (967)</u>	<u>\$ 571</u>

Unrealized Holding Gains (Losses)

We also record capital appreciation/depreciation on our available-for-sale fixed maturity securities. The following table shows the annual increase in equity from mark-to-market adjustments on our available-for-sale fixed maturity securities. These adjustments result from the low current market interest rates which cause the market value of our holdings, which overall carry higher interest rates than available in the market, to increase.

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Accumulated Other Income		
Unrealized holding gains from changes in the market value of securities, including the related impact to future policy benefit liabilities, the policyholder dividend obligation and deferred policy acquisition cost balances	\$ 12,870	\$ 2,058
Unrealized investment loss	—	—
Income tax effect	(2,704)	(597)
Net increase in accumulated other comprehensive income	<u>\$ 10,166</u>	<u>\$ 1,461</u>

At December 31, 2018 and December 31, 2017, we have accumulated other comprehensive (loss)/income from mark-to-market adjustment of our available-for-sale fixed income securities totaling \$10.2 million and \$1.5 million (net of federal income taxes and reserve), respectively.

Financial Position

At December 31, 2018, we had total assets of \$655.0 million compared to total assets at December 31, 2017 of \$666.4 million. The decrease in total assets of \$11.4 million primarily results from a decrease in the value of fixed maturity securities due to increasing market interest rates.

At December 31, 2018, we had total liabilities of \$482.8 million compared to total liabilities of \$470.2 million at December 31, 2017. The increase in total liabilities of \$12.6 million was primarily due to an increase in future policy benefits of \$17.6 million resulting from a growing block of business, an increase in commission financing liabilities of \$13.4 million, other liabilities of \$0.8 million, offset by decreases in the closed block policyholder dividend obligation of \$1.7 million, policyholder account balances of \$5.9 million, other policyholder liabilities of \$10.3 million due to lower pending claims, and lower reinsurance payables of \$1.3 million.

At December 31, 2018 total equity decreased to \$172.2 million from \$196.2 million at December 31, 2017. This decrease in equity of \$24.0 million (12.2%) consists of the net loss of \$13.8 million and other comprehensive loss of \$10.2 million. The other comprehensive loss for the period was due to unrealized net losses on our fixed maturity available-for-sale securities portfolio. This decrease was caused by an increase in market interest rates at December 31, 2018 when compared to market interest rates at December 31, 2017.

Liquidity and Capital Resources

Our principal sources of funds are from premium revenues, commission revenues, investment income and proceeds from the sale and maturity of investments. The Company's primary uses of funds are for payment of life policy benefits, contractholder withdrawals on assumed annuity contracts, new business acquisition costs for our insurance operations (i.e., commissions, underwriting and issue costs), cost of sales for agency operations (i.e., agent compensation, purchased lead and lead generation costs), general operating expenses and purchases of investments. Our investment portfolio is structured to provide funds periodically over time, through investment income and maturities, to provide for the payment of policy benefits and contractholder withdrawals.

Under our commission financing arrangement with Hannover Life, Fidelity Life is able to pay level annual commissions instead of first-year-only commissions to Efinancial for sales of **RAPID**Decision® Life policies, and Hannover Life advances to Efinancial amounts approximately equal to first-year-only commissions for sales of those policies. This arrangement reduces Fidelity Life's surplus strain associated with issuing **RAPID**Decision® Life business while helping to provide liquidity for Efinancial through the receipt of larger first-year-only commissions. We are able to obtain advances up to \$20 million under our arrangement with Hannover Life. As of December 31, 2018, we had net advances of \$13.4 million under this arrangement.

We are a member of the Federal Home Loan Bank of Chicago (the “FHLBC”). As a member we are able to borrow on a collateralized basis from the FHLBC. We own FHLBC common stock with a book value of \$99, which allows us to borrow up to \$2.2 million. Interest on borrowed funds is charged at variable rates established from time to time by the FHLBC based on the interest rate option selected at the time of the borrowing. There have been no borrowings from the FHLBC during 2018 and 2017.

Fidelity Life’s ability to pay dividends to Vericity is limited by the insurance laws of the State of Illinois. All shareholder dividends are subject to notice filings with the Illinois Insurance Director. The maximum amount of dividends that can be paid by Illinois life insurance companies to stockholders without 30 days prior notice to the director of the Illinois Department of Insurance is the greater of (i) statutory net income for the preceding year or (ii) 10% of statutory surplus as of the preceding year-end. However, under Illinois insurance statutes, dividends may be paid only from surplus, excluding unrealized appreciation in value of investments, without prior approval. Dividends in excess of these amounts require advance approval of the Illinois Department of Insurance. There are no limitations on the amount of dividends that Efinancial can pay.

During 2018 and 2017, the board of directors of Fidelity Life approved the payment of \$7.0 million, each year, in dividends to Vericity Holdings. The dividends provided operating funds to Vericity Holdings to support corporate operations and initiatives. Following the conversion, Fidelity Life has agreed not to pay any common stock dividends without the approval of a majority of the company designees. See —“The Conversion and Offering—Description of the Standby Purchase Agreement—Post-Closing Covenants-Standstill Period.”

Fidelity Life is a party to various services and cost sharing agreements with Vericity Holdings and Efinancial pursuant to which certain costs and expenses incurred by Vericity Holdings and Efinancial on behalf of Fidelity Life are allocated to Fidelity Life and reimbursed to the entity incurring the expense.

As an Illinois-domiciled mutual holding company, Members Mutual is subject to the same minimum statutory capital and surplus levels as Fidelity Life. However, Members Mutual is not authorized to transact insurance business and cannot issue or reinsure insurance policies. Accordingly, the level of statutory capital and surplus at Members Mutual has no material effect on the ability of Fidelity Life to write insurance or on the Company’s consolidated results of operations, financial position or liquidity. Although Members Mutual is subject to minimum capital and surplus requirements, it is not subject to RBC requirements. Our other operating subsidiaries are not subject to regulatory capital requirements or RBC.

We experienced net negative cash flows in 2018 and in most prior periods due to continued growth in sales of our life insurance products and in our agency operations and through continued net withdrawals on assumed annuity contractholder deposits. Our annuity deposits are in run off because we do not market annuity contracts to provide annuity deposits to offset the withdrawal activity on in-force contracts.

Cash uses in our insurance segment result in negative cash flows related to sales of new insurance policies because:

- Policy acquisition costs (consisting of agent commission, policy underwriting and issue costs) exceed the amount of first year premium received from the policyholder,
- Depending on the product sold, a portion or all of the agent's commission may be paid as a cash advance to the agent and most of the underwriting and policy issue costs are paid at the time the initial policy is issued, whereas the premiums may be paid throughout the policy year, and
- Amounts due from reinsurers to reimburse claims paid are usually paid at some date after the claim has been paid.

The resulting negative first year cash flow from sales of new policies is partially offset by positive cash flows from insurance policy renewals. The continued sales growth in our insurance operations has resulted in a net cash decrease. Cash flows from reinsurance collections will vary from period to period based on claims activity.

Our corporate segment experienced negative cash flow as a result of the payment of allocated overhead expenses.

Cash flow from investing includes our fixed maturity securities and equity holdings that are classified as available-for-sale securities. Period to period the cash flows associated with the changes in these portfolios will vary between cash sources and cash uses depending on portfolio trading due to investment market conditions and other factors.

Cash flow from financing activities primarily consists of the assumed annuity contractholder deposits. The annuity liabilities are reducing each period due to cash withdrawals by contractholders on this block of annuities that were primarily written in the late 1980s. Cash deposits to these annuity contracts are minimal compared to cash withdrawal activity. Also included in financing cash is net proceeds from our commission financing program.

Cash flow from investing activities represents our primary source of cash. We use cash flows from investments to fund the withdrawals from the assumed annuity deposits and to fund the negative cash flows from operating activities.

Cash Flows

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Consolidated Summary of Cash Flow		
Cash flows provided by (used for) operating activities	\$ 4,203	\$ 9,480
Cash flows provided by (used for) investing activities	2,540	(8,550)
Cash flows provided by (used for) financing activities	2,475	(8,586)
Net increase (decrease) in cash and cash equivalents	\$ 9,218	\$ (7,656)

For the year ended December 31, 2018, we had a net increase in cash of \$9.2 million compared to net decrease of \$7.7 million for the year ended December 31, 2017. Cash from operating activities decreased by \$5.2 million mainly due to higher premium volume offset by higher general operating expenses. Cash provided by financing activities increased due to implementation of commission financing.

Risk-Based Capital

Fidelity Life is subject to regulatory guidelines related to the ratio of its capital level compared to its RBC level as determined by formulas adopted by state insurance departments and applicable to all life insurance companies. A company's "authorized control level RBC" is a measure of the amount of capital appropriate for an insurance company to support its overall business operations in light of its size, growth and risk profile. RBC standards are used by regulators to determine appropriate regulatory actions for insurers that show signs of weak or deteriorating conditions. Companies that do not

maintain total adjusted risk-based capital in excess of 200% of the company's authorized control level risk-based capital may be required to take specific actions at the direction of state insurance regulators. Fidelity Life's total adjusted capital at December 31, 2018 and 2017 was well in excess of 200% of its authorized control level. See "Business—Regulation—Risk-Based Capital (RBC) Requirements."

Due to the continued growth in Fidelity Life's sales of new insurance policies and the dividends to Vericity Holdings (\$7.0 million in both 2018 and 2017 to provide working capital), Fidelity Life's statutory surplus has been declining. The accounting principles applicable to regulatory reporting require that insurance companies expense all policy acquisition costs as incurred. Acquisition expenses attributable to Fidelity Life's increasing new business growth have resulted in net losses being reported for regulatory reporting purposes. Regulatory accounting principles allow limited recognition of the future benefits of deferred tax assets. Accordingly, we recognize no income tax benefit that would offset our operating losses for regulatory reporting purposes.

Fidelity Life is also subject to the model regulation entitled "Valuation of Life Insurance Policies" commonly known as "Regulation XXX." This regulation requires life insurance companies that issue insurance policies with level premium guarantees to carry reserves that can greatly exceed the amount that the insurance company believes is necessary to reflect its liability for future claims payments. Such reserves are sometimes referred to as "non-economic reserves." Many insurance companies use reinsurance, financing, formation of captive reinsurers and other reserve financing transactions to reduce the regulatory capital needs under Regulation XXX. Generally these solutions have only been available to carriers with much larger amounts of affected liabilities than Fidelity Life. To mitigate the future impact on regulatory capital from Regulation XXX and help stabilize our regulatory capital position in light of anticipated sales increases, we entered into a reserve financing agreement with Hannover Life effective July 1, 2013 that covered certain products with policies written on or before September 30, 2012. This agreement was amended and restated as of July 1, 2016 to extend the issue date of policies for products covered under the existing reserve financing through December 31, 2015 and also included additional Fidelity Life products. The agreement is indefinite in length, but allows Fidelity Life to fully recapture the ceded business for approximately one year beginning on or after December 31, 2026. The agreement also provides for the payment of experience refunds, if any, to Fidelity Life with respect to the ceded business through December 31, 2026. As of December 31, 2018, the reserve credit under this arrangement was approximately \$88.1 million.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures.

Quantitative and Qualitative Information about Market Risk

We own a diversified portfolio of investments including cash, bonds, preferred stocks, commercial mortgages, and common stock. Each of these investments is subject, in varying degree, to market risk that can affect their return and their fair value. Bonds are the majority of our investments and include debt issues of corporations, residential and commercial mortgage-backed securities or other asset-backed securities, U.S. Treasury securities, or obligations of U.S. Government Sponsored Enterprises and are classified as fixed maturity investments in our financial statements. Our investment portfolios are subject to market risks.

Market risk is the risk that we will incur losses due to adverse changes in market rates and prices on the fair value of the investment securities that we own. We have exposure to market risk through our investment activities, including interest rate risk, credit risk, equity risk and foreign currency risk. We have not and do not plan to enter into any derivative financial instruments for trading or speculative purposes.

Interest Rate Risk

Interest rate risk arises from the price sensitivity of investments to changes in interest rates. The changes in the fair value of our fixed maturity investments are inversely related to changes in market interest rates. As market interest rates fall the fixed income streams of fixed maturity investments held become more valuable and market values rise. As market interest rates rise, the opposite effect occurs. Interest rate risk can also arise if market rates fall, which can result in lower interest spreads on our assumed annuity deposits, which are our primary interest rate sensitive liability.

We review the interest rate sensitivity of our available-for-sale fixed maturity securities by calculating the impact on the market value of our holdings that would result from a hypothetical instantaneous shift in market interest rates across all

maturities, which we consider to be reasonably possible. The impact of such a parallel shift upward in the yield curve of 200 basis points would reduce the market value of our fixed maturity security portfolio by \$36.9 million (12.1%) and \$42.7 million (12.7%) as of December 31, 2018 and December 31, 2017, respectively. The estimated market value changes assume all other factors are held constant and do not attempt to estimate any offsetting change in the value of our liabilities.

With regard to our assumed annuity deposits, we are subject to risk from contractholder behavior resulting from changes in interest rates. The assumed annuity contracts have virtually no surrender charges remaining that could be assessed against withdrawals. When market interest rates exceed the amount that we are crediting on deposits, we are subject to higher contractholder withdrawals or an increase in contract loans, both of which could force the company to sell assets prematurely and could lead to the realization of capital losses on such sales. As of December 31, 2018, we were crediting interest at the minimum contract interest rate, which on a composite basis is approximately 3.9% annually. We manage our exposure to rising interest rates through our ability to increase the contract crediting rate. Our ability to increase our crediting rate is constrained by our portfolio yield at the time of the decision to increase rates. Increases in the contract crediting rates could reduce our income unless we are able to maintain a constant interest spread on our assets.

Credit Risk

Credit risk is risk of loss due to adverse change in the financial condition of a specific debt issuer or, in the case of a securitized investment, adverse change in the assets being securitized. We address credit risk by establishing minimum rating standards for investments that our portfolio managers can acquire and, in the case of a downgrade, continue to hold the investment. For our core fixed income portfolio, which comprises approximately 88.8% of our invested assets, only investment grade securities (minimum credit rating for new investments is BBB- as established by Standard & Poor's or a comparable nationally recognized statistical rating organization) can be purchased and such portfolio managers must maintain an overall credit rating for the portfolio of at least A-. Through our portfolio managers we monitor the financial condition of all the issues of securities that we own. As an additional step to reduce our exposure to credit risk, we have established diversification guidelines limiting the total amount of holding by issuer and by investment sector.

Equity Market Risk

Equity market risk is the risk that we will incur economic losses due to adverse changes in equity prices. Adverse changes in equity prices can arise from both the movements of broad markets based on investor behavior or other general economic factors and also from adverse changes in an individual company's stock price. We manage our equity market risk primarily by limiting our exposure to individual issuers and by maintaining liquid holdings such that we are able to find a ready market should we want to lower our exposure to equity markets. Our individual stock holdings are managed by a specialty manager with portfolio guidelines that include limits on industry exposures and the size of investments in individual issuers. As of December 31, 2018 and December 31, 2017, we had \$4.8 million and \$5.6 million of exposure to equity market risk in our insurance segment through holdings of individual equity securities, respectively.

Recent Accounting Pronouncements

All applicable adopted accounting pronouncements have been reflected in our condensed consolidated financial statements as of and for the years ended December 31, 2018 and December 31, 2017.

BUSINESS

Overview

We provide life insurance protection targeted to the middle American market. We believe there is a substantial unmet need for life insurance, particularly among domestic households with annual incomes of between \$50,000 and \$125,000, a market we refer to as our target Middle Market. We strive to deliver to this market affordable, easy to understand term and whole life insurance products through a consumer-friendly and efficient sales process. Through innovation in product design and distribution that provides access to the Middle Market, including call center and web-enabled sales and underwriting processes, quick issuance of policies and an emphasis on products not medically underwritten at the time of sale, we believe we are well positioned to make life insurance more affordable and accessible to the Middle Market.

We conduct our business through our two operating subsidiaries, Fidelity Life Association, an Illinois-domiciled life insurance company chartered in 1896, and Efinancial, LLC, a call center-based insurance agency. Fidelity Life distributes life insurance products through Efinancial and other unaffiliated agents and is licensed in the District of Columbia and every state except New York and Wyoming. A.M. Best has assigned an “A-” (Excellent) rating to Fidelity Life, which is the fourth highest out of fifteen ratings. Fidelity Life is located in Chicago, Illinois.

Efinancial markets life products for Fidelity Life and, as of December 31, 2018, had agency relationships with 25 unaffiliated insurance companies. Efinancial’s primary operations are conducted through employee agents from two call center locations in Bellevue, Washington and Chicago, Illinois, which we refer to as our retail channel, and through independent agents and other marketing organizations, which we refer to as our wholesale channel. In addition to offering Fidelity Life products, Efinancial also sells insurance products of unaffiliated carriers. Efinancial’s principal office is located in Bellevue, Washington.

We believe our ability to unconditionally issue policies either during or within 24 to 48 hours of the initial call differentiates us from our competitors. Leveraging our patented **RAPID**Decision® sales and underwriting processes, we can sell a life insurance policy to a consumer before medical underwriting is complete. We are able to complete an initial underwriting process for most of our life insurance applicants either during or shortly after the initial call, and if not, within 24 to 48 hours after that initial call. For the year ended December 31, 2018, 88% of our policy applications processed through our **RAPID**Decision® underwriting process received an underwriting disposition on or shortly after the initial sales call. Approximately one-half of the remaining applications received final underwriting decisions within the next 24 to 48 hours.

Our **RAPID**Decision®Life product provides coverage at the point of issue that is a blend of all-cause term life insurance for part of the coverage and accidental death insurance for the remainder of the total face amount. If a policyholder completes medical underwriting after the initial sale of the **RAPID**Decision®Life product, the policy benefits may be improved based on the underwriting results to increase the proportion of all-cause term life insurance coverage, typically with no increase in premium. In some instances, based upon the results of predictive analytic models, the consumer can qualify for the full amount of all-cause coverage without medical testing.

For the years ended December 31, 2018 and 2017, we had total consolidated revenue of \$123.9 million and \$115.9 million, net life premium revenue of \$88.6 million and \$82.9 million, and a net loss of \$13.8 million and \$8.2 million, respectively. As of December 31, 2018, we had total assets of \$654.9 million and equity of \$172.2 million.

Our Approach

Our business model is predicated upon gaining cost effective access to the Middle Market, engaging consumers in our sales process for life insurance with products that have higher placement rates than traditional fully underwritten term life insurance in a call center environment, and issuing those products quickly. We require access to a large quantity of quality sales leads to keep our retail call center agents productive. Currently, we acquire most of our sales leads from third party lead vendors. We supplement that lead flow with leads we generate ourselves. More significantly, we are rapidly increasing our affinity business with non-life insurance partners that provide their customers or prospects as leads, and we market and sell life insurance products to those leads.

We tend to sell policies with lower face amounts, resulting in more affordable options for our customers. Although not the lowest priced, our products are competitive and they represent an attractive consumer value considering the coverage they provide and the relative simplicity of our sales and underwriting processes. Our business model allows us to capture

end-to-end data beginning with the acquisition of sales leads through the final disposition of life insurance policies. With this data, we plan to develop and apply predictive analytics to realize efficiencies at various points in the sales process.

Our Competitive Strengths

We believe that we are strategically positioned to take advantage of the following competitive strengths:

- **Middle Market access.** The sales contacts made through Efinancial's call centers are focused on the Middle Market. This stands in contrast to the life insurance industry at large, which tends to market to a more affluent clientele.
- **Multi-channel distribution.** We reach Middle Market consumers through multiple distribution channels. Through our retail channel, we engage consumers through Efinancial's call centers using sales leads that we acquire or generate ourselves, and we leverage our product and sales processes with affinity partners to extend our reach to Middle Market consumers seeking affordable, accessible life insurance. Through our wholesale channel, we offer other carriers' products through unaffiliated distributors. In addition, Fidelity Life also offers its products through select unaffiliated distributors.
- **Patented products and processes.** Our **RAPID**Decision® Life product features a system-and-method patented process that affords higher and faster placement rates than traditional fully underwritten term life insurance in a call center environment. Through our process, policy placement usually occurs during the initial interaction, which leads to customer satisfaction and improved economics in our call centers. Our efficient process contrasts with much of the industry, where the underwriting process extends well beyond the initial interaction. In addition, our flagship **RAPID**Decision® Life product uses predictive analytics at certain ages and face amounts to place all-cause coverage products during the initial interaction without a medical examination for qualified customers. The product is priced to be profitable even at lower policy amounts, which allows us to align our offerings with Middle Market consumers' ability to afford life insurance.
- **End-to-end lead and policy data.** As a life insurance company and a direct distributor, we are positioned to gather end-to-end lead and policy data to develop predictive analytical models that can be applied to identify the characteristics of prospects who are more likely to exhibit favorable placement, persistency and mortality experience. We plan to apply this insight to optimize our marketing, sales and underwriting processes and product development.

Our Growth Strategies

We intend to use our competitive strengths to grow our business through the following strategies:

- **Capitalize on the unmet need for life insurance in our target market.** We believe we are well positioned to meet demand where there is currently a substantial unmet need for life insurance in the Middle Market. Using our quick-issue products together with our distribution platform, we plan to increase sales to Middle Market consumers by providing a convenient experience to purchase life insurance at an affordable price.
- **Use predictive analytics to generate more productive sales leads.** By converting data we generate through our distribution platform into actionable insight using statistical analysis, we will seek to be more efficient in our acquisition and use of leads, improving our call center placement ratios and overall profitability.
- **Enhance and extend affinity partnerships.** We plan to continue and selectively deepen our existing affinity partnerships and develop new and complementary affinity relationships and partnerships. We expect this will expand and diversify our sources of quality leads.
- **Expand call center operations and improve efficiency.** To drive sustainable premium and Efinancial commission growth, we plan to expand our Efinancial call center operations by hiring additional agents. In addition, we evaluate our product offerings and product providers in order to examine whether we are addressing the needs and preferences of the Middle Market.
- **Explore alternative means of distribution.** We are currently exploring distribution alternatives beyond our call center and independent distributors, including digital and on-line sales.

Business Segments

We manage our business through three segments:

- **Agency.** Our agency segment operates through Efinancial. Efinancial sells insurance products through its call center distribution platform and through its independent agents and other marketing organizations.
- **Insurance.** Our insurance segment operates through Fidelity Life. Fidelity Life engages in the principal business lines of core life, non-core life, closed block, and annuities and assumed life. In its core life and non-core life business lines, Fidelity Life offers primarily term life insurance products, and to a lesser extent accidental death and final expense products. We currently do not offer annuity contracts, separate account variable products or universal life products.
- **Corporate.** Our corporate segment consists primarily of a small amount of capital required to be maintained for regulatory purposes, and also includes certain expenses considered to be corporate and not allocated to our agency or insurance segments.

Agency Segment

Overview

The agency segment consists of the operations of Efinancial. Efinancial is a call center-based insurance agency that markets life insurance for Fidelity Life and unaffiliated insurance companies. Efinancial's primary operations are conducted through employee agents from two call center locations, which we refer to as our retail channel. In addition, Efinancial operates as a wholesale agency, assisting independent agents that seek to produce business for the carriers that Efinancial represents, which we refer to as our wholesale channel.

The agency segment's main source of revenue is commissions earned on the sale of insurance policies sold through our retail channel. Efinancial's employee agents utilize insurance sales leads to contact potential customers and then work with the customers to complete the sales process, which can occur during the initial contact or within 24 to 48 hours for non-medically underwritten policies. In our wholesale channel, in consideration for using our carrier contracts, access to leads and case management services, we receive a portion of the commission earned by the independent agent from the carrier. Efinancial also generates data and click-through revenue through its eCoverage web presence, and through the resale of leads that are not well suited for our call center.

Agents

Our agents in the agency segment are either employed by Efinancial or are independent agents who sell through our wholesale distribution channel.

Our Employee Agents

Efinancial operates primarily through two retail call center locations. One retail call center is located at the Efinancial corporate office in Bellevue, Washington, and the other retail call center is located at our office in Chicago, Illinois.

In each of our retail call center facilities, our employee agents, or call center insurance agents, conduct outbound telephone sales using insurance sales leads obtained from sales leads vendors or generated by our own marketing efforts or through our affinity partner relationships. To a much lesser extent, the call center insurance agents also handle inbound telephone and web-based inquiries directly from consumers. Our patented ALISS® platform provides a structured environment in which our call center insurance agents are able to efficiently handle both in-bound and out-bound sales traffic.

Efinancial is reliant on a capable and well-trained sales force of insurance agents to effectively operate its call centers. It is therefore important for Efinancial's business to attract, retain and develop its call center insurance agents. Efinancial primarily recruits individuals with little or no prior experience in the insurance industry. We seek to develop a career path for our recruits by providing a comprehensive training program designed to assist new recruits in becoming licensed agents and achieving success with call center marketing. In a process that typically takes between six to eighteen weeks, a new hire will receive training, learn to develop leads and work towards receiving the required insurance sales licenses. Following licensure and promotion to retail call center agent, a new agent is placed on the sales floor, where monitoring and coaching continue. As an agent develops sales experience, the level of supervision of that agent decreases and the agent is able to handle more sophisticated sales opportunities.

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As of December 31, 2018, Efinancial had 157 call center insurance agents in Bellevue and 102 call center insurance agents in Chicago. For the years ended December 31, 2018 and December 31, 2017, Efinancial's retail call centers generated a total of \$39.0 million and \$30.9 million, respectively, in commission revenues, of which \$28.7 million and \$23.1 million, respectively, were generated from sales of Fidelity Life products.

Our Independent Agents

Efinancial has developed capabilities that allow us to expand sales operations beyond the call center insurance agents traditionally associated with a direct sales operation. Efinancial also operates as a wholesale agency and recruits independent agents to market insurance products using Efinancial's platform. Through our wholesale channel, we subcontract with our independent agents to sell through Efinancial's contracts with its insurance carriers. Efinancial offers services to these independent agents, including access to our ALISS® technology, marketing platform, case management services, insurance sales leads and sales education. Efinancial earns a portion of the commission revenue on independent agent sales. For the years ended December 31, 2018 and December 31, 2017, Efinancial generated \$3.2 million and \$3.9 million, respectively, in revenue from our affiliation with our independent agents.

Our Partners

We partner with unaffiliated insurance carriers to market their products through our agency distribution platform. We also have marketing relationships with third party businesses and member organizations, which we call our affinity partners, under which Efinancial provides their customers and members with access to the insurance products we market, either under their brand or Efinancial's brand.

Other Insurance Carriers.

Our agency segment also generates revenue from the sales of insurance products issued by unaffiliated companies, or carriers. We typically enter into contractual agency relationships with carriers that are non-exclusive and terminable on short notice by either party for any reason. As of December 31, 2018, Efinancial had agency contracts with 26 life insurance carriers, including Fidelity Life. Efinancial's retail call center agents help consumers select among these carriers based on that consumer's needs, insurance product features, cost and other factors. The mix of insurance carrier sales will vary over time based on client preferences, carrier strategies, availability of new product features, premium cost, commissions paid, carrier placement rates, and ease of doing business.

For the years ended December 31, 2018 and December 31, 2017, Efinancial generated \$13.4 million and \$11.5 million, respectively, in total commission revenue from agency contracts with unaffiliated life insurance carriers. By comparison, for the years ended December 31, 2018 and December 31, 2017, Efinancial generated \$28.9 and \$23.3 million, respectively, in total commission revenue from Fidelity Life.

The following tables show our total earned commissions for our retail and wholesale channels:

Retail Channel:

Carrier	For the Years Ended	
	December 31,	
	2018	2017
	(dollars in thousands)	
Fidelity Life Association	\$28,788	\$23,161
All other Carriers	10,251	7,799
Total Earned Commissions	<u>\$39,039</u>	<u>\$30,960</u>

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Wholesale Channel:

Carrier	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Fidelity Life Association	\$ 69	\$ 122
All other Carriers	3,566	4,361
Total Earned Commissions	3,635	4,483
Wholesale Commission Expense	413	647
Earned Wholesale Commissions	<u>\$ 3,222</u>	<u>\$ 3,836</u>

Affinity Partners.

In a typical affinity partner arrangement, Efinancial will market our range of insurance products to the affinity partner's customers or prospects under Efinancial's brand or our affinity partner's brand. Affinity partner relationships offer an attractive source for insurance sales leads and increase our revenues. Given the existing relationship between an affinity partner and its prospects or customers, we believe that the sales leads generated by our affinity partners are of a high quality relative to sales leads purchased from a third party. We expect affinity partner relationships to continue to be a valuable source of future growth. Currently, nearly all of our affinity business is derived from a single affinity partner.

Our Technology Platform

ALISS®

Our patented Automated Life Insurance Sales System, or ALISS®, is our proprietary software used to operate our retail call centers. ALISS® is made up of several functional modules including lead management, call scripting, quoting, insurance policy applications, product information and consumer relationship management. ALISS® was integrated with a third party telephony system to prioritize and distribute calls to sales personnel. This technology solution has logic that makes allocations to specific call center insurance agents based on factors such as availability, complexity of sales leads, state licensing requirements, source of the sales lead and other factors, in an effort to enhance the productivity and effectiveness of our retail call centers.

We also make ALISS® available to our independent agents that use the software as a service remotely from their locations. We believe that ALISS® provides a comprehensive package of operational features that help our distributors increase their productivity and grow their businesses. We continue to invest in updates and efficiencies to this program.

Consumer Technologies

Efinancial has several web portals for consumers to shop for insurance, including efinancial.com, termfinder.com and ecoverage.com. These web portals offer consumers easy-to-use tools, such as online price quoting and information (in the form of articles and blogs) designed to help consumers better understand the life insurance market. These websites also provide consumers with the ability to initiate the sales process online. We also offer affinity partners the opportunity to create branded, customized versions of our portal interface to their own customers.

Marketing

Efinancial's business relies heavily on the use of insurance sales leads. Our sales leads are records of personal and contact information of potential purchasers of life insurance. We analyze these sales leads to enable our agents to make contact with consumers that we believe are more likely than the general population to purchase life insurance products.

Efinancial uses a combination of marketing methods to obtain insurance sales leads to support its operations. Efinancial acquires a significant portion of its sales leads from third party vendors specializing in insurance sales leads. Additionally, Efinancial generates leads through its websites (including efinancial.com, termfinder.com, and ecoverage.com) and through affinity partners whose customers and prospects are interested in life insurance. We evaluate the profitability of sales leads by analyzing their cost and productivity based on the sales resulting from these sales leads. We use this information to seek to optimize the productivity and cost efficiency of leads we acquire.

As a result of our business model, Efinancial's marketing expenses are a significant part of our total cost of doing business. To reduce our customer acquisition costs, we contract with third party marketers who contact consumers, some of whom will click through to one of eCoverage's landing pages. In addition to becoming an Efinancial lead, the consumer may also "click" on an ad to receive a quote from a third-party carrier. If the consumer clicks on an insurance option sponsored by another company, we generate revenue from that click. We are also able to generate data revenue through the sale of information regarding leads sourced through the eCoverage landing pages. For the years ended December 31, 2018, and December 31, 2017, we generated \$6.2 million and \$3.7 million from data and click-through revenues, respectively. Additionally, we seek to sell a policy to that lead through our call center.

For a description of the marketing of policies written by Fidelity Life, see "Business—Insurance Segment—Distribution."

Competition

Efinancial competes for access to talented sales representatives and for quality sales prospects, or leads. Much of the competition for talent involves agent recruitment. Efinancial's competitors include SelectQuote, AIG Direct, and Health I.Q., among others. Certain competitors in the direct distribution call center industry have been in business longer than Efinancial and are more established and have greater resources to hire insurance agents and develop new technologies. Also, agents choose to work through agencies based on a number of factors including marketing service and support, technology tools, the insurance company that the agency represents, sales commission structure, and the number and quality of sales leads. However, Efinancial believes that its innovative sales processes and the Fidelity Life quick-issue products it sells, combined with our ability to customize our product offering based on a customer's ability to pay through our distribution platform, position Efinancial to successfully compete and continue to grow in the Middle Market.

Insurance Segment

Overview

Fidelity Life was chartered in 1896 and operated independently until the 1950s, when it became affiliated with several stock life insurance companies that managed its operations and controlled its strategies pursuant to a management services agreement. In 2003, the independent members of the board of directors undertook a review of the longstanding management relationship and future plans for operation of Fidelity Life. During 2005, the prior long-term management contract and all affiliations were terminated and a reconstituted board of directors and a new management team were selected. Since then, Fidelity Life has again operated independently.

Fidelity Life engages in the following business lines:

Core Life. Our core life insurance business is the primary business of the insurance segment. Core life represents a significant portion of the insurance business written by Fidelity Life since it resumed independent operations in 2005. Our core life business consists of in-force policies that are considered to be of high strategic importance to Fidelity Life. See "Core Life."

Non-Core Life. Our non-core life business consists of: products that are currently being marketed but are not deemed to be of high strategic importance to the Company; in-force policies from product lines introduced since Fidelity Life resumed independent operations in 2005, but were subsequently discontinued; and an older annuity block of business that was not included in the closed block. See "Non-Core Life."

Closed Block. Our closed block represents all in-force participating insurance policies of Fidelity Life. The closed block was established in connection with our 2007 reorganization into a mutual holding company structure. See "—Closed Block."

Annuities and Assumed Life. We have assumed reinsurance commitments with respect to annuity contractholder deposits and a block of life insurance contracts that were ceded by former affiliates of Fidelity Life. The annuity deposits were ceded to Fidelity Life through two contracts entered into in the early 1990s. These annuity and assumed life deposits are now largely in run-off, with only minor amounts of new deposits each year. There are minimal remaining surrender charges associated with the assumed annuity contracts. See "Annuities and Assumed Life."

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The following table sets forth the net premium revenues by business line for Fidelity Life's insurance segment for the years ended December 31, 2018 and December 31, 2017:

	For the Years Ended	
	December 31,	
	2018	2017
	(dollars in thousands)	
Net Revenue		
Core Life	\$48,972	\$44,358
Non-Core Life	32,693	31,660
Closed Block	5,525	4,889
Annuities and Assumed Life	1,383	1,966
Total	<u>\$88,573</u>	<u>\$82,873</u>

Core Life and Non-Core Life

Our Products

In its core and non-core life insurance business, Fidelity Life offers an array of traditional and innovative insurance products. The principal life insurance products offered by Fidelity Life fall within the “**RAPID**Decision®” product line. The **RAPID**Decision® product line includes several term life insurance products. **RAPID**Decision® products use our “**RAPID**Decision®” underwriting process, which is a process that does not rely on medical testing as part of the underwriting process, thereby substantially shortening the time required for underwriting and policy issuance. See “Underwriting and Risk Selection.”

Core Life:

RAPIDDecision® Life. Our “**RAPID**Decision® Life” product was introduced in 2008 and is primarily marketed by Efinancial and select unaffiliated distributors. The **RAPID**Decision® Life product was specifically designed to address the problem of low product placement in direct distribution for medically underwritten business, stemming in part from the typical length of the life insurance underwriting process. Our **RAPID**Decision® Life product incorporates the following features:

- A patented sales process featuring **RAPID**Decision® underwriting, which allows for the quick issuance of a policy. Under certain circumstances, this will be issued entirely on an all-cause basis. In other circumstances, the issuance will provide a blend of all-cause term life insurance coverage and accidental death benefit coverage;
- If issued as a blend of all-cause and accidental death benefit coverage, there is an option permitting policyholders to begin a traditional medical underwriting process within the first six months after policy issuance;
- Depending on the underwriting results, policyholders completing medical underwriting may have the option to reduce or eliminate the accidental death coverage and increase the proportion of the all cause term life insurance coverage under the policy with no increase in premium; and
- Policyholders not completing medical underwriting (or failing to meet medical underwriting standards) may retain the original coverage blend of term life and accidental death benefit coverage at the existing premium rates.

LifeTime Benefit Term. LifeTime Benefit Term is our patented voluntary worksite product offering. Voluntary worksite policies like LifeTime Benefit Term are provided to employer and other groups for sales to their employees, participants and members. LifeTime Benefit Term insurance offers higher face amounts per premium dollar than universal life and is sold on a group policy basis by offering future paid up coverage additions after the policy has been in force for a certain number of years. LifeTime Benefit Term coverage can be kept by the individual after they leave employment with the group. We have been issued a patent for one variation of the LifeTime Benefit Term product. We largely ceased writing this business directly in 2014 and have entered into a licensing agreement and reinsurance agreement under which we license the product to Combined Insurance Company of America and reinsure 50% of the business written. The licensing agreement provides Combined with an exclusive, non-transferable license to market the LifeTime Benefit Term product. In the event Combined fails to meet certain sales volumes for the product, the license becomes non-exclusive or, in certain circumstances, terminable at the option of Fidelity Life. The license agreement would terminate if Combined were to stop selling the product, exit the worksite market, or if Fidelity Life ceased assuming reinsurance on the product from Combined. Additionally, Combined may terminate the license with 60 days' notice. Fidelity Life continues to manage the in-force block of LifeTime Benefit Term policies that is largely in run-off, except for a limited amount of business we continue to write where Combined Insurance Company of America is not able to do so directly, which business (except for certain riders) is 80% reinsured by Combined Insurance Company of America.

RAPIDDecision® Final Expense. Our **RAPIDDecision®** Final Expense product is targeted toward individuals aged 50-85 and provides permanent whole life coverage for amounts ranging from \$5,000 to \$35,000. These policies are designed to help in lessening the burden of covering final expenses, such as medical costs, funeral costs, and credit card debt. Like **RAPIDDecision®** Life, **RAPIDDecision®** Final Expense does not require a medical examination, but instead approval is determined based upon answers to various health questions and database results. There is a related graded death benefit Final Expense product for poorer underwriting risks.

Non-Core Life:

Accidental Death Benefit. Fidelity Life offers accidental death benefit insurance as both a policy rider and as stand-alone policy coverage. The accidental death benefit product covers death due to accidental causes as defined in the policy. Accidental death benefit is a quick-issue product with limited underwriting.

RAPIDDecision® Senior Life Term and Whole Life. Fidelity Life's Senior Life Term and Whole Life products are designed for impaired risk individuals in particular age ranges (50 to 70 for term and 50 to 85 for whole life). Senior Life Term and Whole Life products are underwritten utilizing the **RAPIDDecision®** underwriting process and offer graded death benefits over an initial three year period (the full face amount is paid for all causes of death starting in policy year four)

RAPIDDecision® Express. **RAPIDDecision®** Express is a quick-issue, non-medically underwritten level term insurance product. It includes typical term lengths of 10, 15 and 20 years, and a maximum face amount of \$250,000 that varies by age and is lower at older ages. **RAPIDDecision®** Express includes one risk class each for males, females, smokers and non-smokers, and underwriting approvals are made based upon a simplified application process where the consumer's answers are verified by database information that is gathered for the approval process.

Distribution

In our insurance segment, we distribute our life insurance products through Efinancial and through independent producers, including direct distributors that market to consumers through call centers and regional and national independent producer groups. Consistent with our strategy, we continue to increase the amount of business produced through Efinancial. For the year ended December 31, 2018, we wrote 77.4% of our new business through Efinancial, compared to 74.0% for the year ended December 31, 2017.

While the trends in annual sales have seen a larger share of premium production from Efinancial, we maintain diversity in our production sources through the continued production through other independent distribution organizations and from assumed premiums. For distribution other than by Efinancial, our strategy is to establish long term relationships with a limited number of independent distribution organizations that extend our reach into our target market and are complementary to Efinancial. These distribution organizations recruit and train the agents that sell for Fidelity Life, among other carriers. As part of our review process for appointing an independent distribution organization we require the organization to have sufficient controls in place to protect Fidelity Life from the risk of adverse-selection that is often present when offering non-medically underwritten products on the same platform as more traditional, fully-underwritten products. We provide product specific sales training to these producers, including supporting technology. For the years ended December 31, 2018 and 2017, the breakdown of sales of annualized premiums for new in-force policies by distribution was as follows:

	For the Years Ended December 31,	
	2018	2017
	(dollars in thousands)	
Efinancial	\$33,618	\$29,576
Worksite Producers ⁽¹⁾		
Direct	220	471
Assumed	8,220	7,584
Independent Sales Distributors	855	1,650
Total	<u>\$42,913</u>	<u>\$39,281</u>

(1) The Worksite business includes premiums written directly by Fidelity Life, as well as premiums assumed from Combined Insurance. See "Core Life—LifeTime Benefit Term."

Underwriting and Risk Selection

We have developed the **RAPID**Decision® underwriting process to support the quick issuance of our **RAPID**Decision® products. The first step in our **RAPID**Decision® underwriting process is for a consumer to complete a coverage application. We verify the medical history and conditions disclosed in the application using automated web-based links to reporting and statistical agencies and a data base service with pharmaceutical records. The underwriting decision is made based on this information. The **RAPID**Decision® underwriting process is supported by our proprietary technology platforms that allow us to obtain an underwriting decision during or shortly after the initial call, and if not, 24 to 48 hours after that initial call. These technology platforms are our Rapid Application, or Rapid App, and Fidelity Life Association Sales Handler, or FLASH, systems.

Consistent with our business strategy and our view of the needs of our customers, we do not perform medical underwriting in the traditional way prior to the issuance of a policy. Typically in our industry, the life insurance underwriting process takes place prior to policy issuance and involves a paramedical examination, blood and urine testing and other tests designed to assess the underwriting risk and the lowest premium appropriate for the level of risk involved. Such traditional underwriting delays policy issuance after an application is submitted by several weeks. This delay makes it difficult to achieve acceptable placement ratios in call center sales, leading to lost sales and unrecovered costs. In contrast, our primary underwriting process is designed to support the quick issuance of policies. We therefore do not typically require an initial paramedical exam. By not requiring this exam or postponing it until after policy issuance, we are able to issue coverage far more quickly, although without access to up front medical data that is standard in industry underwriting practices. This means that our insurance products generally are issued at lower face amounts and a relatively higher price per dollar of coverage as compared to medically underwritten products. If medical underwriting is completed after the initial sale of a **RAPID**Decision® Life policy, the policy benefits may be improved based on the underwriting results to increase the proportion of all-cause term life insurance coverage, typically with no increase in premium.

Fidelity Life employs a small staff of full-time employee underwriters. Most of the underwriting of individual policies is performed on an outsourced basis, primarily using three contract underwriting firms. Given the quick-issue nature of many of Fidelity Life's products, it is important to our business to be able to access underwriting services on an as-needed basis. Using outsourced contract underwriters gives Fidelity Life the flexibility to meet this need.

In our typical underwriting process, Fidelity Life's contract underwriters access the information on a potential customer, what we refer to as a case, through a web-based interface and approve or decline the individual case based on Fidelity Life's underwriting rules. If necessary, a member of our contract underwriting team can be joined to an initial phone call with a potential customer. While our in-house underwriting team does engage in certain case underwriting activities, the team's primary function is to manage and supervise the contract underwriters. Our in-house underwriting team oversees our contract underwriters to review their compliance with our underwriting standards.

Product Pricing

We regularly review claim results for each of our products, comparing actual experience to the assumptions used to design and price the products. The review process is performed by our actuarial and finance teams with assistance from the underwriting and operations team, product development team and marketing. Variances in our expectations for particular products are examined for implications on product performance and used to evaluate product prices and underwriting assumptions. Product experience is also reviewed by our reinsurance partners.

Key elements of our product pricing include assumptions regarding future mortality (amount and timing of future benefit payments), persistency experience (number and timing of policyholder discontinuations or coverage lapses) and investment returns (interest we will earn on investment of available cash and reserves).

Outsourced Functions

Fidelity Life contracts with third party service providers to provide, or assist with, a number of key functions that are traditionally performed in-house in the life insurance industry. These functions include insurance policy administration, underwriting, investment portfolio management, internal audit, filing of insurance policy forms with state regulatory agencies and income tax return preparation. In addition, Fidelity Life uses third parties to provide in-force policy administration, and reinsurance contract administration. This model was adopted to reduce the fixed cost investment in our insurance segment, provide operating flexibility and allow access to specialized skills as needed. In doing so, we believe we can contract with partners that possess a wide range of experience and with established capabilities that would be costly and time consuming for us to develop internally.

Competition

Competition in the life insurance industry is based on many factors. These factors include the perceived financial strength of the insurer, premiums charged, policy terms and conditions, services provided, reputation, financial ratings assigned by independent rating agencies and the experience of the insurer in the line of insurance to be written. In addition, there are many competitors that participate in the non-medically underwritten segment of the life insurance industry. As new competitors enter the non-medically underwritten market using predictive analytics, they may price aggressively to capture market share.

Fidelity Life's competition includes many companies that are larger and which have significantly more resources at their disposal. While lacking the scale and market presence of many of its principal competitors, Fidelity Life does have certain attributes we believe to be competitive advantages in a crowded market place. These include innovative products, proprietary technology and controlled distribution in Efinancial. These advantages allow us to be more flexible in adapting to product and sales process opportunities than our more established competitors. We also believe that our innovative products and processes provide a point of differentiation that appeals to consumers.

Fidelity Life also competes by placing a majority of its policies through Efinancial. While this distribution channel provides access to our target Middle Market, we are aware that some Middle Market consumers prefer to purchase life insurance through alternative methods. We have developed an internet-based direct sales platform that permits customers to complete the purchase of a Fidelity Life insurance policy completely over the internet. Several of our competitors have also begun to implement online and digital distribution platforms. We believe that through the implementation of the Fidelity Life internet-based direct sales platform we will be able to extend our reach into our target Middle Market.

IT Applications

Fidelity Life's business, including the marketing, sales and administration of its insurance products, relies on its technology infrastructure. Our technology infrastructure incorporates both proprietary and commercially available elements, including the following:

- **Rapid App.** Fidelity Life has developed an application processing system that allows an agent to gather the information necessary to complete an application for insurance and obtain an underwriting decision while on the telephone with an applicant. Using this system, a majority of all underwriting decisions are made within 48 hours and certain underwriting decisions can be made during the initial phone call with the consumer. Our Rapid App system is primarily designed to be used by insurance agents in our retail call centers so that the agents can obtain the underwriting information necessary to complete the underwriting process while on the phone with the customer. This streamlines the application process, increasing efficiency and lowering costs. The completed application and all associated forms are provided to the applicant through a secure web portal, where the applicant can review and sign the application electronically. Once the application is signed, we gather data on the applicant from our third party information providers. This information is screened for potential underwriting concerns. Signed applications and all relevant information are made immediately available to an underwriter, who can make a decision while the applicant is still on the phone with our insurance agent. Rapid App allows our insurance agents to complete the sale in a single phone call for our accidental death and guaranteed issue products.
- **Fidelity Life Association Sales Handler (FLASH).** Fidelity Life has developed FLASH as a successor to Rapid App. FLASH is a modular technology platform that interfaces with our other key systems including ALISS®, our third party data and service providers, and our reinsurer's automated underwriting engine. Like Rapid App, FLASH allows an agent to collect the information necessary to complete an application for insurance and obtain an underwriting decision while on the telephone with an applicant. In addition, FLASH is the technology platform that will power our direct to consumer digital sales efforts.
- **Realtime.** Fidelity Life's new business process uses a system we call Realtime. Realtime is a web-based system developed by a third party but now maintained and administered by Fidelity Life. The Realtime system catalogues all of the data gathered in the sales process and relevant to the insurance application process. The Realtime platform permits Fidelity Life employees to electronically access information used for underwriting maintained by third party database providers.
- **Other.** Fidelity Life uses several other software applications for administration and operational purposes. Typically, these are obtained from third party vendors. For example, we use commercially available software applications for all of Fidelity Life's financial reporting and control functions.

Reinsurance

Fidelity Life uses reinsurance arrangements with multiple reinsurance carriers to limit our claims risk under our insurance contracts and to mitigate the impact of the insurance policies we issue on our statutory policyholder surplus. Our retention limit is \$300,000 on each insured life for all policies. On the products that we currently issue where we have reinsurance, our reinsurance is on a first-dollar quota-share basis. Additionally, our reinsurance arrangements provide Fidelity Life with access to underwriting technology and risk management expertise from our reinsurance partners.

We evaluate our reinsurance needs, including the appropriate amount and structure of particular reinsurance arrangements, based on a number of factors, including the expertise of particular reinsurance carriers (and their technology platforms) required to support our various life insurance products, the estimated variability of claims experience, the estimated future impact of new business written on our statutory reserves and the costs of reinsurance.

Our current reinsurance arrangements open for new business, other than business written and reinsured to Combined, are with Hannover Life Reassurance Company and Swiss Re Life & Health America, Inc. The following is a brief summary of the reinsurance agreements relating to these arrangements:

Hannover Life Reassurance Company. Under our agreements with Hannover Life, we cede claims liability under certain of our term life policies in the core life business to Hannover Life on a coinsurance basis. Depending upon the face amount of the product reinsured and subject to a \$300,000 limit, we cede 50% or more of the claims liability to Hannover Life. Reinsurance premiums are determined according to the amount reinsured with Hannover Life per policy. These agreements do not have a fixed term. Either party may terminate the agreements with respect to future business with 90 days written notice to the other party.

Swiss Re. Life & Health America, Inc.—ADB. Under our agreement with Swiss Re, we cede to Swiss Re 50% of our claims liability, subject to certain per life limits, under our accidental death benefit policies and riders on a coinsurance basis. Reinsurance premiums are determined according to the amount reinsured with Swiss Re per policy or rider. Swiss Re has the right to modify the reinsurance premium rates upon 90 days written notice to us. If we do not accept such modified reinsurance premium rates and we are unable to agree upon a revised rate structure within 60 days of Swiss Re's original notice, then the reinsurance premium rates then in effect continue unchanged. However, Swiss Re may, upon 30 days written notice to us, terminate the reinsurance on any policy or rider for which we have not accepted Swiss Re's modified reinsurance premium rate. This agreement does not have a fixed term. Either party may terminate the agreement with respect to future business with 90 days written notice to the other party.

Swiss Re. Life & Health America, Inc.—Final Expense. Under a separate agreement with Swiss Re, we cede to Swiss Re on a coinsurance basis 80% of our claims liability, subject to certain per life limits, under our final expense and graded benefit policies and riders. This agreement does not have a fixed term. Either party may terminate the agreement with respect to future business with 60 days written notice to the other party.

In 2013, Fidelity Life entered into a reserve financing reinsurance arrangement with Hannover Life Reassurance Company of America (Hannover Life) designed to enhance its ability to continue to grow Fidelity Life's core life insurance business. This agreement was then amended and restated as of July 1, 2016. The structure of the agreement, which was effective July 1, 2013, involves a combination coinsurance with funds withheld, and yearly renewable term reinsurance covering most of the Company's non-participating in-force life insurance business with issue dates on or before December 31, 2015. Any amounts ceded under the Hannover Life reserve financing agreement are net of any existing reinsurance and exclude all policy riders. The agreement is indefinite in length, but allows Fidelity Life to fully recapture the ceded business for approximately one year beginning on or after December 31, 2026. The agreement also provides for the payment of experience refunds, if any, to Fidelity Life with respect to the ceded business through December 31, 2026.

Even though we reinsure certain of our liabilities to third party reinsurance carriers, Fidelity Life remains directly liable to policyholders for the benefit payments associated with these policies. Our reinsurance carriers have a contractual relationship with Fidelity Life to reimburse us for policy claims, but are not under any contractual obligation to our policyholders. Because Fidelity Life remains directly liable to policyholders for the full amount of the death benefits payable under its policies, Fidelity Life bears credit risk relating to its reinsurers under its reinsurance contracts. As a result, Fidelity Life will only enter into a reinsurance agreement with reinsurers that have stable operating performance, including a minimum A.M. Best financial strength rating of "A-" (Excellent).

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We had reinsurance recoverables of \$136.6 million and \$143.9 million as of December 31, 2018 and December 31, 2017, respectively. The following table sets forth our five largest reinsurers based on reinsurance recoverables as of December 31, 2018 and December 31, 2017, and the A.M. Best ratings of those reinsurers as of that date:

	As of December 31, 2018				As of December 31, 2017			
	2018 A.M. Best's Rating	Ceded Future Policy Benefits	Claims and Other Amounts Recoverable	Total Reinsurance Recoverables	2017 A.M. Best's Rating	Ceded Future Policy Benefits	Claims and Other Amounts Recoverable	Total Reinsurance Recoverables
	(in thousands)							
Reinsurer								
Hannover Life Reassurance Co.	A+	\$ 53,841	\$ 6,729	\$ 60,570	A+	\$ 46,437	\$ 8,088	\$ 54,525
Swiss Re Life & Health America Inc.	A+	20,310	7,255	27,565	A+	14,680	10,589	25,269
Combined Insurance Company of America	A+	10,929	1,150	12,079	A+	10,376	773	11,149
Security Life of Denver	A+	4,816	354	5,170	A+	5,369	684	6,053
Canada Life Assurance Company	A+	4,596	306	4,902	A+	5,163	470	5,633
Other (12 Reinsurers)		22,543	3,772	26,315		34,898	6,388	41,286
Total		<u>\$117,035</u>	<u>\$ 19,566</u>	<u>\$ 136,601</u>		<u>\$116,923</u>	<u>\$ 26,992</u>	<u>\$ 143,915</u>

Core Life. The overall relationship of ceded premium to direct premiums has trended lower over the past few years due to the mix of business. For the core life business line, the amount of death benefit reinsured by Fidelity Life varies by insurance product, with some products having no reinsurance and others where 50% or 70% of the death benefit is reinsured, all of which is subject to the \$300,000 limit. For the closed block and the annuities and assumed life business lines, the percent of death benefit reinsured is higher than for the insurance products currently being sold in the life line of business. The following table shows the different relationship of reinsurance premiums ceded to total direct and assumed premiums for each of these business lines for the year ended December 31, 2018 and the year ended December 31, 2017:

	As of December 31, 2018					As of December 31, 2017				
	Core Life	Non- Core Life	Closed Block	Annuities and Assumed Life	Total	Core Life	Non- Core Life	Closed Block	Annuities and Assumed Life	Total
	(dollars in thousands)									
Ratios:										
Direct + Assumed Premium	\$87,508	\$59,260	\$12,844	\$ 3,799	\$163,411	\$76,535	\$59,850	\$20,802	\$ 4,668	\$161,855
Ceded Premium	38,536	26,567	7,319	2,416	74,838	32,178	28,190	15,913	2,701	78,982
Ceded % of Total Direct + Assumed Premium	44.0%	44.8%	57.0%	63.6%	45.8%	42.0%	47.1%	76.5%	57.9%	48.8%

The period-to-period comparison of the ceded to direct and assumed premiums shows the total Fidelity Life percentage declining as the percentage of the core life business line grows as a percent of the total business in-force.

Non-Core Life. Non-core life follows the same reinsurance guidelines and procedures as core life as discussed above.

Closed Block. In October 2006, Fidelity Life established a closed block consisting of all of the outstanding participating policies issued or assumed by Fidelity Life. We call this arrangement the Closed Block. We operate the Closed Block in accordance with a Closed Block memorandum that we entered into in connection with our 2007 reorganization as a mutual holding company. The purpose of the closed block is to provide reasonable assurance to the participating policyholders that sufficient assets will be available to provide for the continuation of policy benefits and experience-based dividends for these participating policies. Most of the participating policies in the closed block were sold on the basis of “no dividends expected” and, accordingly, such policies have never received an experience-based dividend. The establishment of the Closed Block was not intended to provide dividends on policies for which no dividends are expected, although dividends on these policies will be paid if experience ultimately warrants. The payment of any dividends is not guaranteed based on the results of a specific block or group of participating policies. The declaration of any dividend is subject to the discretion of the board of directors of Fidelity Life, and dividends are not payable until declared. No new dividend-paying or participating policies have been issued by Fidelity Life since our reorganization in 2007.

The Closed Block was funded on October 1, 2006 with cash flow producing assets that together with anticipated revenues from the closed block policies are expected to be sufficient to support the closed block, including payment of claims, expenses, and taxes and to provide for continuation of dividends, to the extent applicable, for the life of the policies. If the future experience is such that the assets of the closed block are not sufficient to pay the benefits guaranteed under the policies, then Fidelity Life would be required to make such payments from its general funds.

Annuities and Assumed Life

Fidelity Life reinsures products issued by other companies under four reinsurance arrangements, two of which are not open to new insurance policies but still cover the existing in-force business that was assumed prior to 1993. Under two contracts with Zurich American Life Insurance Company, Fidelity Life assumed the liability for the contractual benefits under a group of annuity contracts written through 1993. Under a contract with Protective Life Insurance Company, the successor company of a former affiliate, Fidelity Life assumed a portion of the risk on a group of life insurance contracts primarily written in the 1980s and early 1990s.

Fidelity has an active reinsurance agreement with Hannover Life Reassurance (Ireland) Ltd. under which Fidelity Life assumes a portion of risks on certain life contracts originally issued by Fidelity Life and ceded to Hannover Life Reassurance Company of America. In addition, we license our LifeTime Benefit Term product to Combined Insurance Company of America and reinsure 50% of the business written by Combined on that product.

The following table sets forth Fidelity Life's assumed reinsurance liabilities as of December 31, 2018 and December 31, 2017:

	As of December 31, 2018				As of December 31, 2017			
	Future Policy Benefits	Contract Holder Account Balances	Other Policyholder Liabilities	Total Assumed Liabilities	Future Policy Benefits	Contract Holder Account Balances	Other Policyholder Liabilities	Total Assumed Liabilities
	(dollars in thousands)							
Hannover Life Reinsurance (Ireland) Ltd.	\$ (1,247)	\$ —	\$ 15	\$ (1,231)	\$ (1,178)	\$ —	\$ 34	\$ (1,144)
Protective Life Insurance Company	9,637	—	3,022	12,659	7,749	—	474	8,223
Zurich American Life Insurance Company	—	83,299	—	83,299	—	88,724	—	88,724
Combined Insurance Company of America	18,251	—	967	19,218	11,686	—	951	12,637
Total	\$26,641	\$83,299	\$ 4,004	\$113,945	\$18,257	\$88,724	\$ 1,459	\$108,440

A.M. Best Rating

Fidelity Life is rated by A.M. Best, an independent rating agency that specializes in ratings for the insurance industry. A.M. Best annually issues a financial strength rating for the great majority of insurance companies doing business in the U.S. The financial strength rating is an independent opinion of an insurer's financial strength and its ability to meet its ongoing insurance policy obligations. A.M. Best's financial strength rating is based on a comprehensive quantitative and qualitative evaluation of an insurer's balance sheet strength, operating performance and business profile. A.M. Best has assigned Fidelity Life a financial strength rating of "A-" (Excellent), which is the fourth highest rating category for A.M. Best. A.M. Best's financial strength rating is not a recommendation to purchase, hold, or terminate any insurance policy or contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In addition, A.M. Best's financial strength rating does not address the risks or the advisability of any investment in our common stock.

Corporate Segment

The results of this segment consist of nominal net investment income and nominal realized investment gains (losses) earned on nominal invested assets. We also include certain corporate expenses that are not allocated to our other segments, including expenses of Vericity, corporate liability insurance premiums, board expenses, allocation of executive management time spent on corporate matters, and financial reporting and auditing costs related to our consolidation and internal controls. Our corporate segment recognizes income (loss) to the extent that investment income and realized investment gains exceed (are less than) corporate expenses.

Intellectual Property

Vericity and its subsidiaries rely on our proprietary intellectual property to conduct our business. We believe that it is easy for participants in the insurance industry to attempt to copy product and process ideas of other participants. We therefore intend to protect to the fullest extent permitted by law our intellectual property rights in the unique products and sales processes we have developed. We believe that protecting our intellectual property rights and obtaining protection for future innovations will help us to achieve better results over time.

Efinancial currently has trade name protection for certain of its key internet domains, including efinancial.com, termfinder.com, ecoverage.com, and netcoverage.com. Efinancial has also been granted two U.S. patents covering aspects of the ALISS® system.

We have been granted four U.S. patents related to the **RAPID**Decision® Life product and its supporting sales and underwriting technology and processes and a separate patent directed to the LifeTime Benefit Term product. We continue to seek additional patent coverage for different aspects of the **RAPID**Decision® Life product. See “Risk Factors—Risks Relating to Our Business—We may be unable to adequately protect our intellectual property rights or avoid infringing the intellectual property rights of third parties, and the intellectual property rights we have may not be a meaningful barrier to competition.”

Information Technology

Fidelity Life maintains an in-house information technology staff. Fidelity Life’s in-house personnel are supplemented by independent consultants, as needed, for programming, development and other technology-based efforts. Fidelity Life’s Realtime system is hosted at a data center in Chicago, Illinois. Other Fidelity Life production applications run at the SunGard data center in Woodridge, Illinois. The SunGard data facility is connected to our two office locations through high speed dedicated data links. We believe SunGard has sufficient capability to back up our production internet connectivity. Incremental file back-ups are performed daily and moved to a secure offsite facility. Should the need arise, we have a duplicate of the Realtime environment configured in our SunGard data center. Fidelity Life does not have a full business continuity plan but has put in place various programs that will increase our agility in responding to a disaster. In the event of a disaster at the SunGard facility, our mission critical operational systems can be brought up at our data center in our Chicago office.

Efinancial also maintains an in-house information technology staff. The Efinancial technology team is responsible for the development and maintenance of Efinancial’s applications and provides assistance to our internal and external customers. We use outside contractors in limited cases to provide additional programming and development expertise.

Efinancial uses TierPoint, located in Seattle, as its offsite data facility, housing all of its production servers that host outside facing applications (including ALISS® and Efinancial.com) and its main business database. The Bellevue office data center houses telephony servers, file server and domain controller servers. The Bellevue office is connected via high speed connection to both TierPoint as well as our call center in Chicago.

Information backups are automatically performed nightly and weekly. Efinancial’s Bellevue office backups are stored on a high performance and capacity platform, then duplicated to Tierpoint. In reverse, Tierpoint files are backed up and duplicated to the Bellevue office. Our disaster recovery plans were revised to account for changes in business function and technology in 2017.

Investments

We had total cash and investment assets of \$389.1 million as of December 31, 2018. All invested assets are managed pursuant to an investment plan developed by our executive management team and approved by and reviewed annually with the investment committee of our board of directors. All changes to the investment plan are approved by the investment committee.

We have contracted with a third party investment advisory firm to provide portfolio management and consulting services to assist our chief financial officer with the oversight of various portfolios and investment managers that manage portions of our investment portfolio. We utilize multiple investment managers to leverage specialized expertise in specific asset classes. Each investment manager operates under agreed-upon guidelines that are specifically designed for the investment manager’s segment of the overall portfolio. Our investment advisor meets periodically, but not less frequently than quarterly, with the investment committee of our board of directors to review portfolio results, portfolio managers and discuss portfolio strategies.

Our investment strategy is to diversify among asset classes and individual issuers to achieve appropriate matching of assets with insurance liabilities, sufficient liquidity and predictability of income. The composition of our investment portfolio supporting our insurance segment is primarily investment grade fixed income investments and is managed with primary emphasis on current earnings. The closed block assets are segregated in a separate portfolio and are managed in accordance with the closed block memorandum.

Enterprise Risk Management

The review and assessment of enterprise risks is the responsibility of the Vericity executive management team with oversight provided by the board of directors through its audit committee. We have established risk management policies and procedures throughout our organization. To supervise the implementation of these risk management policies and procedures, we have engaged outside consultants on this topic and have established a risk management committee that consists of members of our senior management team.

In 2015, we launched a multi-phase risk assessment project focused on formalizing our enterprise risk management process covering Efinancial, Fidelity Life, their respective subsidiaries and operations and all corporate activities. Project goals include defining key risks and risk events, establishing corporate risk tolerances and documenting the accountability for the risk management processes. Work is in process to formalize and in some cases develop additional measurements related to enterprise level risks for management and board reporting. The risk assessment project will continue to evolve with the business over the near term and result in the development of more formalized enterprise risk management capabilities.

Legal Proceedings

We are, from time to time, involved in various legal proceedings in the ordinary course of business. While it is not possible to forecast the outcome of such legal proceedings, in light of existing insurance, reinsurance, and established reserves, we believe that there is no individual case pending that is likely to have a material adverse effect on our financial condition or results of operations.

Properties

We operate from two locations that are leased from unaffiliated parties. Vericity and Fidelity Life are headquartered in Chicago, Illinois at 8700 W. Bryn Mawr Avenue, Suite 900S, leasing 39,030 sq. feet. Efinancial is headquartered in Bellevue, Washington at 13810 Southeast Eastgate Way, Suite 300, leasing 31,662 sq. feet. Efinancial has a call center housed in the Chicago office.

Employees

As of December 31, 2018, Fidelity Life had 123 employees and Efinancial had 259 employees. None of our employees are covered by a collective bargaining agreement. We believe that relations with our employees are good.

Regulation

Our businesses are subject to a number of federal and state laws and regulations. These laws and regulations cover Fidelity Life operations as a life insurance company and Efinancial's insurance agency operations. Our operations are subject to extensive laws and governmental regulations, including administrative determinations, court decisions and similar constraints. The purpose of the laws and regulations affecting our operations is primarily to protect our policyholders and not our stockholders. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations. State insurance laws regulate most aspects of our insurance businesses, and we are regulated by the insurance departments of the states in which we sell insurance policies. The NAIC assists the various state insurance regulators in the development, review and implementation of a wide range of financial and other regulations over the insurance industry.

Insurance Regulation

Both Fidelity Life and Efinancial are licensed to transact business in all states and jurisdictions in which they conduct an insurance business. Fidelity Life is an Illinois-domiciled life insurance company licensed to transact business in 48 states and the District of Columbia. Fidelity Life is not licensed to transact business in New York or Wyoming. Efinancial is an insurance agency domiciled in the State of Washington and is licensed in all 50 states and the District of Columbia. State insurance laws regulate many aspects of our business. Such regulation is vested primarily in state agencies having broad administrative and in some instances discretionary power dealing with many aspects of our business, which may include, among other things, required reserve liability levels, permitted classes of investments, transactions among affiliates, marketing practices, advertising, privacy, policy forms, reinsurance reserve requirements, acquisitions, mergers, and capital adequacy, and is concerned primarily with the protection of policyholders and other consumers rather than stockholders. We are subject to financial and market conduct examinations by insurance regulators from our domiciliary states and from other states in which we do business, and are currently undergoing such a financial examination by the Illinois Department of Insurance.

State laws and regulations governing the financial condition of insurers apply to Fidelity Life, including standards of solvency, risk-based capital requirements, types, quality and concentration of investments, establishment and maintenance of reserves, required methods of accounting, reinsurance and minimum capital and surplus requirements, and the business conduct of insurers, including sales and marketing practices, claim procedures and practices, and policy form content. In addition, state insurance laws require licensing of insurers and their agents. State insurance regulators have the power to grant, suspend and revoke licenses to transact business and to impose substantial fines and other penalties.

Agent Licensing

Efinancial (or its designated representative) is authorized to act as an insurance producer under company licenses or licenses held by its officers in all 50 states and the District of Columbia. In each jurisdiction in which Efinancial transacts business, it is generally subject to regulation regarding licensing, sales and marketing practices, premium collection and safekeeping, and other market conduct practices. Its business depends on the validity of, and continued good standing under, the licenses and approvals pursuant to which it operates, as well as compliance with pertinent regulations. We devote significant effort toward maintaining licenses for Efinancial and managing its operations and practices consistent with the diverse and complex regulatory environment in which we operate.

Fidelity Life sells its insurance products through Efinancial and independent distributors. Efinancial employs insurance agents working in its call centers and also works with independent insurance agents. The states in which insurance agents operate require agents to obtain and maintain licenses to sell insurance products. In order to sell insurance products, the agents must be licensed by their resident state and by any other state in which they do business and must comply with regulations regarding licensing, sales and marketing practices, premium collection and safeguarding, and other market conduct practices. In addition, in most states, Fidelity Life must appoint the agents and agencies that sell our insurance products, and Efinancial and the agents that they work with must be appointed by all carriers for which they sell.

Consistent with various federal and state legal requirements, we monitor our agents that sell for Fidelity Life and Efinancial, and we monitor the agencies with which the independent distributors and independent agents work in order to understand and evaluate the agencies' training and general supervision programs relevant to regulatory compliance. For Efinancial's call center agents using telephone sales, we periodically record and monitor the sales calls in order to identify and correct potential regulatory compliance problems.

Financial Review

Fidelity Life is required to file detailed annual and quarterly financial reports with the insurance departments in the states in which we do business, and its business and accounts are subject to examination by such agencies at any time. These examinations generally are conducted under NAIC guidelines. Under the rules of these jurisdictions, insurance companies are examined periodically (generally every three to five years) by one or more of the supervisory agencies on behalf of the states in which they do business.

Market Conduct Regulation

The laws and regulations governing our insurance businesses include numerous provisions governing the marketplace activities of insurers, such as Fidelity Life, and agencies, such as Efinancial, including regulations governing the form and content of disclosures to consumers, advertising, product replacement, sales and underwriting practices, complaint handling, and claims handling. State insurance regulators enforce compliance, in part, through periodic market conduct examinations.

Insurance Holding Company Regulation

All states in which Fidelity Life conducts insurance business have enacted legislation that requires each insurance company in a holding company system to register with the insurance regulatory authority of its state of domicile and to furnish that regulatory authority financial and other information concerning the operations of, and the interrelationships and transactions among, companies within its holding company system that may materially affect the operations, management or financial condition of the insurers within the system. These laws and regulations also regulate transactions between insurance companies and their parents and affiliates. Generally, these laws and regulations require that all transactions within a holding company system between an insurer and its affiliates be fair and reasonable and that the insurer's statutory surplus following any transaction with an affiliate be both reasonable in relation to its outstanding liabilities and adequate to its financial needs. Statutory surplus is the excess of admitted assets over statutory liabilities. For certain types of agreements and transactions

between an insurer and its affiliates, these laws and regulations require prior notification to, and non-disapproval or approval by, the insurance regulatory authority of the insurer's state of domicile. These laws and regulations also require the holding company system to file an annual report identifying certain risks ("enterprise risks") that, if not remedied, are likely to have a material adverse effect upon the financial condition of the insurer or its holding company system as a whole.

Dividend Limitations

As a holding company with no significant business operations of its own, Vericity will depend on intercompany dividends or other distributions from its subsidiaries as the principal source of cash to meet its obligations. The ability of Fidelity Life to pay dividends to its corporate parent is limited under Illinois law. Such dividends may only be paid out of earned surplus (excluding unrealized capital gains), and no dividend may be paid that would reduce Fidelity Life's statutory surplus to less than the amount required to be maintained by Illinois law for the types of business transacted by Fidelity Life. All intercompany dividends must be reported to the Illinois Department of Insurance prior to payment. In addition, Fidelity Life may not pay an "extraordinary" dividend or distribution until 30 days after the Illinois Director of Insurance has received sufficient notice of the intended payment and has not objected or has approved the payment within the 30-day period. An "extraordinary" dividend or distribution is defined under Illinois law as a dividend or distribution that, together with other dividends and distributions made within the preceding 12 months, exceeds the greater of:

- 10% of the insurer's statutory surplus as of the immediately prior year end; or
- the statutory basis net income of the insurer for the prior year.

As a result of the payment of dividends in the amount of \$7.0 million in the last twelve months, Fidelity Life's remaining ordinary dividend capacity as of December 31, 2018 is \$5.8 million.

Efinancial is not subject to the above dividend restrictions that relate to Fidelity Life.

Change of Control

Illinois law requires advance approval by the Director of Insurance of any direct or indirect change of control of an Illinois-domiciled insurer, such as Fidelity Life. In considering an application to acquire control of an insurer, the Director generally will consider such factors as experience, competence, and the financial strength of the applicant, the integrity of the applicant's board of directors and officers, the acquirer's plans for the management and operation of the insurer, and any anti-competitive effects that may result from the acquisition. Under Illinois law, there exists a presumption of "control" when an acquiring party acquires 10% or more of the voting securities of an insurance company or of a company which itself controls an insurance company. Therefore, any person acquiring, directly or indirectly, 10% or more of our common stock would need the prior approval of the Illinois Director of Insurance, or a determination from the Director that "control" has not been acquired. Under Section 59.1(6)(i) of the Illinois Insurance Code, no person or a group of persons acting in concert (other than the standby purchaser), may acquire, directly or indirectly, in this offering or any public offering, more than 5% of the capital stock of Vericity for a period of five years from the effective date of the conversion without the approval of the Illinois Director of Insurance.

In addition, a person seeking to acquire, directly or indirectly, control of an insurance company is required in some states to make filings prior to completing an acquisition if the acquirer and the target insurance company and their affiliates have sufficiently large market shares in particular lines of insurance in those states. Approval of an acquisition may not be required in these states, but the state insurance departments could take action to impose conditions on an acquisition that could delay or prevent its consummation.

The laws of at least one state (Texas) require advance approval by the insurance commissioner of any direct or indirect change of control of a licensed agency, such as Efinancial. If the conversion is deemed to constitute a change of control under Texas law, we will make the appropriate filings in connection therewith.

Policy and Contract Reserve Sufficiency

Fidelity Life is required under Illinois law to conduct annual analyses of the sufficiency of its life insurance and annuity statutory reserves. In addition, other states in which Fidelity Life is licensed may have certain reserve requirements that differ from those of Illinois. In each case, a qualified actuary must submit an opinion each year that states that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient

provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the affected insurer must set up additional reserves by moving funds from surplus. Fidelity Life submitted these opinions without qualification as of December 31, 2018 to applicable insurance regulatory authorities.

Risk-Based Capital (RBC) Requirements

The NAIC has established a standard for assessing the solvency of insurance companies using a formula for determining each insurer's RBC. The RBC model act provides that life insurance companies must submit an annual RBC report to state regulators reporting their RBC based upon four categories of risk: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to various asset, premium and reserve items, with the factor being higher for those items with greater underlying risk and lower for less risky items. The formula is intended to be used by insurance regulators as an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action. Companies that do not maintain total adjusted risk-based capital in excess of 200% of the company's authorized control level risk-based capital may be required to take specific actions at the direction of state insurance regulators. Fidelity Life's total adjusted capital at December 31, 2018 was well in excess of 200% of its authorized control level. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Risk-Based Capital."

NAIC Ratios

The NAIC is a voluntary association of state insurance commissioners formed to discuss issues and formulate policy with respect to regulation, reporting and accounting of insurance companies. Although the NAIC has no legislative authority and insurance companies are at all times subject to the laws of their respective domiciliary states, and to a lesser extent, other states in which they conduct business, the NAIC is influential in determining the form in which such laws are enacted. Model insurance laws, regulations and guidelines have been promulgated by the NAIC as minimum standards by which state regulatory systems and regulations are measured.

The NAIC also has established a set of 12 financial ratios to assess the financial strength of insurance companies. The key financial ratios of the NAIC's Insurance Regulatory Information System, or IRIS, which were developed to assist insurance departments in overseeing the financial condition of insurance companies, are reviewed by experienced financial examiners of the NAIC and state insurance departments to select those companies that merit highest priority in the allocation of the regulators' resources. IRIS identifies these key financial ratios and specifies a range of "unusual values" for each ratio. The NAIC suggests that insurance companies that fall outside the "usual" range in four or more financial ratios are those most likely to require analysis by state regulators. However, according to the NAIC, it may not be unusual for a financially sound company to have several ratios outside the "usual" range. For the year ended December 31, 2017, Fidelity Life was within the "usual" range for all ratios.

Statutory Accounting Principles (SAP)

SAP is a basis of accounting developed by U.S. insurance regulators to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with evaluating an insurer's ability to pay all its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary jurisdiction. Uniform statutory accounting practices are established by the NAIC and generally adopted by regulators in the various U.S. jurisdictions. These accounting principles differ somewhat from GAAP, which are designed to measure a business on a going-concern basis. GAAP gives consideration to matching of revenue and expenses and, as a result, certain insurer expenses are capitalized when incurred and then amortized over the life of the associated policies. The valuation of assets and liabilities under GAAP is based in part upon best estimate assumptions made by the insurer. Stockholders' equity under GAAP represents both amounts currently available and amounts expected to emerge over the life of the business. As a result, the values for assets, liabilities and equity reflected in financial statements prepared in accordance with GAAP may be different from those reflected in financial statements prepared under SAP.

State insurance laws and regulations require Fidelity Life to file with state insurance departments publicly-available quarterly and annual financial statements, prepared in accordance with statutory guidelines that generally follow NAIC uniform standards. State insurance laws require that the annual statutory financial statements be audited by an independent public accountant and that the audited statements be filed with the insurance departments in states where the insurer transacts business.

State Insurance Guaranty Funds Laws

In most states, there is a requirement that life insurers doing business within the state participate in a guaranty association, which is organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the written premium in the state by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover such paid assessments through full or partial premium tax offsets.

Life insurance company insolvencies or failures may result in additional guaranty association assessments against Fidelity Life in the future. At this time, we are not aware of any material liabilities for guaranty fund assessments that apply to Fidelity Life with respect to impaired or insolvent insurers that are currently subject to insolvency proceedings.

Regulation of Investments

Fidelity Life is subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below-investment grade fixed-income securities, equity real estate, mortgages, other equity investments, foreign investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring statutory surplus, and, in most instances, require divestiture.

Federal and State Legislative and Regulatory Changes

From time to time, various regulatory and legislative changes have been proposed for the insurance industry. Among the proposals that have in the past been or are at present being considered are the possible introduction of federal regulation in addition to, or in lieu of, the current system of state regulation of insurers and proposals in various state legislatures (some of which proposals have been enacted) to conform portions of their insurance laws and regulations to various model acts adopted by the NAIC. We are unable to predict whether any of these proposed laws and regulations will be adopted, the form in which any such laws and regulations would be adopted or the effect, if any, these developments would have on our business, financial condition and results of operations.

Other Laws and Regulations

USA Patriot Act and Similar Regulations

The USA Patriot Act of 2001, enacted in response to the terrorist attacks on September 11, 2001, contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. The increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, require the implementation and maintenance of internal practices, procedures and controls.

Privacy of Consumer Information

U.S. federal and state laws and regulations require financial institutions, including insurance companies, to protect the security and confidentiality of consumer financial information and to notify consumers about their policies and practices relating to their collection and disclosure of consumer information and their policies relating to protecting the security and confidentiality of that information. Similarly, federal and state laws and regulations also govern the disclosure and security of consumer health information. In particular, regulations promulgated by the U.S. Department of Health and Human Services regulate the disclosure and use of protected health information by health insurers and others (including life insurers), the physical and procedural safeguards employed to protect the security of that information and the electronic transmission of such information.

Telephone and Email Solicitation Sales Regulations

The United States Congress, the Federal Communications Commission and various states have promulgated and enacted rules and laws that govern personal privacy, telephone and email solicitations and data privacy. There are numerous state

statutes and regulations governing phone and email solicitation activities that apply or may apply to us. For example, some states place restrictions on the methods and timing of telephone solicitation calls and require that certain mandatory disclosures be made during the course of a call. We specifically train our retail call center sales agents to handle calls in an approved manner, and such compliance training is costly and time consuming. Federal and state “Do Not Call” regulations must be followed for us to engage in telephone sales activities. We specifically train our agents and phone representatives to handle calls in an approved manner. In addition, the Federal Trade Commission has promulgated rules in response to the CAN-SPAM Act of 2003 that regulates the use of electronic mail in commercial contexts. This regulation applies to all electronic mail that, the primary purpose of which is the commercial advertisement or promotion of a commercial product or service.

Federal Income Taxation

The U.S. Congress and state and local governments consider from time to time legislation that could increase or change the manner of taxing the products Fidelity Life sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including Fidelity Life. To the extent that any such legislation is enacted in the future, we could be adversely affected.

THE CONVERSION AND OFFERING

General

As a mutual insurance holding company, Members Mutual does not have stockholders. It has members. A member of Members Mutual is the holder of an in-force policy of insurance of Fidelity Life. With respect to in-force group insurance coverage issued by Fidelity Life, the member is the holder of the master insurance policy. In accordance with Illinois law and the articles of incorporation and bylaws of Members Mutual, the members of Members Mutual are entitled to certain membership rights, including the right to elect directors and to approve this conversion. In an insurance company organized as a stock company, policyholders have no governance rights, which reside with stockholders, and instead have only contractual rights under their insurance policies.

Background and Reasons for the Conversion

Members Mutual believes that the state of the life insurance business in the United States currently presents it with the opportunity to extend its reach into its target market and provide affordable, accessible life insurance solutions to this market. With the development of its “**RAPID**Decision®” product portfolio and distribution processes that permit underwriting to be completed immediately or within 24 to 48 hours after the initial call, Members Mutual has sought to make the sale of life insurance simpler and more efficient. Following its conversion into a mutual holding company structure in 2007, Members Mutual began to explore ways to increase its access to capital in order to pursue increased marketing, acquisitions and organic growth of distribution and sales of life insurance to the Middle Market. In furtherance of this objective, Members Mutual acquired Efinancial in 2009. Since then, Members Mutual has examined various alternatives ranging from maintenance of the status quo, mergers with other mutual companies, expansion or acquisition of other lines of business or companies and various forms of demutualization of Members Mutual permitted by Illinois law, and actively pursued certain of these alternatives at various times during that period. However, none of those prior efforts resulted in a consummated transaction.

After careful study and consideration, Members Mutual has concluded that the subscription rights method of demutualization, backstopped by a standby purchaser that will commit to purchase at least enough unsubscribed shares in the subscription rights conversion to ensure the successful completion of the conversion offering, best suits Members Mutual’s circumstances. In reaching this conclusion, the board of directors of Members Mutual considered the difficulty Members Mutual would have executing a stand-alone subscription rights conversion and existing as a stand-alone public company over the next several years, given its history and outlook of reported GAAP losses. Members Mutual also considered, among other things, that a subscription rights demutualization backstopped by a standby purchaser would:

- permit Members Mutual to undertake a substantial capital raising transaction;
- provide an improved ability to access future capital as a publicly traded stock company, enable Members Mutual to seek to achieve scale and position it to execute against its middle market opportunity;
- substantially mitigate the risk of an unsuccessful offering because of the standby purchaser’s commitment;
- enhance corporate flexibility for future strategic options;
- afford members an opportunity to participate in the success of Members Mutual through the purchase of stock; and
- improve the visibility of the Fidelity Life and Efinancial brands.

In furtherance of these objectives, in January 2018 Members Mutual and its advisors began to identify parties who might be interested in acting as the standby purchaser for the conversion offering. Beginning in February, Members Mutual, through its advisors, contacted thirty-six parties to assess their interest in acting as the standby purchaser in Members Mutual’s proposed subscription rights conversion. Twenty-two of the parties contacted signed a confidentiality agreement including standstill provisions and received a confidential information memorandum about the Company. From April through the end of July 2018, Members Mutual’s advisors conducted a competitive bidding process with the interested parties, including both strategic and financial partners. In early April, eight of the parties submitted first round indications of interest to serve as standby purchaser. During April and May, Members Mutual invited six of the parties to conduct further due diligence, including meetings with the Company’s management and advisors. Following these meetings, five parties submitted second round bids. After review of these bids, Members Mutual and its advisors identified three parties that they determined to be the most viable potential standby purchaser partners and one potential strategic partner that had proposed an alternative transaction structure. During June, Members Mutual and its advisors continued to engage with these four parties in order to further assess and discuss the bids. After additional discussions with these parties and review of the final bids, in early July Members Mutual entered into exclusive negotiations with J.C. Flowers & Co. LLC (“JCF”) to negotiate the standby purchase agreement under which an affiliate of JCF would act as the standby purchaser.

On July 31, 2018, the board of directors of Members Mutual unanimously adopted the plan of conversion, subject to the approval of the Director of the Illinois Insurance Department and the eligible members of Members Mutual. On September 16, 2018, the board of directors of Members Mutual approved an amended and restated plan of conversion. On September 20, 2018, the boards of directors of Members Mutual, Vericity and Fidelity Life authorized the entry into the standby purchase agreement pursuant to which an affiliate of JCF will be the standby purchaser under the plan of conversion, and authorized senior management to execute the standby purchase agreement on behalf of the companies. The standby purchase agreement was executed by Members Mutual, Vericity, Fidelity Life and the standby purchaser on October 5, 2018. On March 25, 2019, the board of directors of Members Mutual approved a further amended and restated plan of conversion to reflect the addition of the community offering, and on March 25, 2019, the boards of directors of Members Mutual, Vericity and Fidelity Life approved and authorized entry into an amended and restated standby stock purchase agreement with the standby purchaser. On March 26, 2019, the parties executed the amended and restated standby stock purchase agreement, which is referred to in this prospectus as the standby stock purchase agreement.

The Illinois Insurance Code requires that we obtain the approval of the Illinois Director of Insurance prior to effecting a conversion of Members Mutual, which we received on [●]. The standby purchaser's commitment to purchase shares of our stock in the standby offering was approved by the Illinois Director of Insurance on [●]. Approval by the Illinois Director of Insurance is not a recommendation or endorsement of this offering. The plan of conversion is also subject to the approval of the eligible members of Members Mutual as of July 31, 2018, at a special meeting to be held on [●]. To be effective, the plan must be approved by the affirmative vote of at least two-thirds of the votes cast by eligible members at the special meeting.

The plan of conversion provides that we will offer shares of our common stock for sale in a subscription offering to eligible members of Members Mutual and the directors and officers of Members Mutual. If fewer than 20,125,000 shares are subscribed for in the subscription offering, it is anticipated that shares of common stock will be offered in the community offering to eligible employees and possibly to other potential investors. The standby purchaser has agreed to purchase the number of shares of our common stock equal to the difference between 14,875,000 and the number of shares of common stock subscribed for in the subscription offering, together with any subscriptions for shares accepted in the community offering, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings. Under the terms of our agreement with the standby purchaser, the standby purchaser will have the right to designate a majority of the nominees to serve on our board of directors. See “—Subscription Offering and Subscription Rights” and “—Description of the Standby Purchase Agreement—Post-Closing Covenants—Corporate Governance Matters.”

Following the adoption of the plan of conversion and the amended and restated articles of incorporation of Members Mutual (that will, among other things, create and authorize the shares of capital stock of converted Members Mutual) by the eligible members at the special meeting, the conversion will be accomplished by:

- filing with the Illinois Director of Insurance the minutes of the special meeting at which the plan of conversion is adopted along with the amended and restated articles of incorporation and bylaws of converted Members Mutual;
- issuance of all of the shares of capital stock of converted Members Mutual to Vericity; and
- issuance of the shares of common stock sold in the offerings.

The conversion will be effected only if subscriptions and orders are received for at least 14,875,000 shares of common stock, including shares purchased by the standby purchaser, and the plan of conversion and amended and restated articles of incorporation of Members Mutual are approved by at least two-thirds of the votes cast by eligible members of Members Mutual at a special meeting to be held on [●].

If the conversion fails to be completed for any reason, Members Mutual will continue as the mutual holding company for Vericity Holdings, Inc. and its subsidiaries. In that event, the members of Members Mutual will retain the membership rights described above.

A copy of the plan of conversion is available by contacting our principal executive offices located at 8700 W. Bryn Mawr Avenue, Suite 900S, Chicago, Illinois, 60631, attention: General Counsel. A copy of the plan also was sent to each eligible member of Members Mutual along with the notice of the special meeting. The plan also is filed as an exhibit to the registration statement of which this prospectus is a part. Copies of the registration statement and exhibits thereto may be obtained from the SEC. See “Additional Information.”

Effect of Conversion on Members Mutual and its Members

Termination of Membership Interests. In the conversion, Members Mutual will be converted into stock form pursuant to Section 59.1 of the Illinois Insurance Code. In accordance with Section 59.1 of the Illinois Insurance Code, the corporate existence of Members Mutual will be continued in converted Members Mutual, and all property of every type will be vested in converted Members Mutual, and converted Members Mutual will assume all the obligations and liabilities of Members Mutual.

Upon completion of the conversion and the issuance of all its capital stock to Vericity, converted Members Mutual will be a stock holding company and wholly owned subsidiary of Vericity. Pursuant to the plan of conversion, all membership interests in Members Mutual held by the policyholders of Fidelity Life will terminate as a result of the conversion, regardless of whether an eligible member exercises subscription rights received under the plan of conversion. However, the conversion will have no effect on the contractual rights of the policyholders of Fidelity Life.

Continuity of Insurance Coverage and Business Operations. This conversion will not change the insurance protection or premiums under insurance policies issued by Fidelity Life. During and immediately following the conversion, the normal business of issuing insurance policies will continue without change or interruption and Fidelity Life will continue to provide insurance coverage to policyholders under current policies. All of our officers at the time of this offering will retain their same positions immediately after the conversion. See “Management—Directors and Executive Officers.”

Voting Rights. After the conversion, the policyholders of Fidelity Life will no longer be members of Members Mutual and will no longer have the right to elect the directors of Members Mutual or approve transactions involving Members Mutual. Instead, voting rights in Members Mutual will be held by Vericity, which will own all of the outstanding capital stock of converted Members Mutual. Voting rights in Vericity will be held by the stockholders of Vericity, subject to the terms of the certificate of incorporation and bylaws of Vericity and to the provisions of the DGCL and federal law. See “Description of Capital Stock—Common Stock” for a description of our common stock.

Subscription Offering and Subscription Rights

We are offering shares of our common stock in a subscription offering to members of Members Mutual who were policyholders of Fidelity Life as of the close of business on July 31, 2018, who we refer to as eligible members and to the directors and officers of Members Mutual. The subscription offering will end at 5:00 PM, Central Time, on [●]. In the subscription offering we are offering 20,125,000 shares of common stock in the following order of priority:

Priority 1: Eligible Members. Each eligible member of Members Mutual will receive, without payment, nontransferable subscription rights to purchase shares, subject to the purchase limitations and all the other terms and conditions of the plan of conversion. See “—Limitations on Purchases of Common Stock.”

If eligible members subscribe for more than 20,125,000 shares, the shares of common stock will be allocated so as to permit each subscribing eligible member, to the extent possible, to purchase up to the lesser of the number of shares subscribed for or 100 shares. Any remaining shares will be allocated among the eligible members whose subscriptions remain unsatisfied in the proportion in which the number of shares as to which each such eligible member’s subscription remains unsatisfied bears to the aggregate number of shares as to which all such eligible members’ subscriptions remain unsatisfied.

Priority 2: Directors and Officers. Subject to the prior rights of eligible members to subscribe for up to 20,125,000 shares in this offering, each director and officer of Members Mutual will receive, without payment, non-transferable subscription rights to purchase shares, subject to the purchase limitations and all other terms and conditions of the plan of conversion. See “—Limitations on Purchases of Common Stock.” Shares purchased by the directors and officers of Members Mutual will be purchased for investment and not for resale and will be counted toward satisfaction of the minimum number of shares needed to be sold to complete this offering.

If there are insufficient shares remaining after the subscriptions of eligible members to satisfy in full all of the subscriptions of directors and officers of Members Mutual, the available shares of common stock will be allocated among the subscribing management participants in the proportion in which the number of shares as to which each such management participant’s subscription bears to the aggregate number of shares subscribed for by all management participants.

All subscriptions received will be subject to the maximum and minimum purchase limitations set forth in the plan of conversion and as described below under “—Limitations on Purchases of Common Stock.”

The Community Offering

If less than 20,125,000 shares are subscribed for in the subscription offering, we will offer shares to eligible employees under the Employee Bonus Program and may offer shares to other potential investors in what we refer to as the community offering. In the community offering, the Company may accept, in its sole and absolute discretion, orders received in the following order of priority: (1) orders from eligible employees who subscribe for shares of common stock as part of the Employee Bonus Program, and (2) if the number of subscribers or the number of shares of common stock subscribed for by participants in the subscription offering, together with any shares subscribed for by eligible employees, is not sufficient to qualify Vericity for listing on the Nasdaq Capital Market, the Company may accept, in its sole discretion, orders for shares of common stock from select investors in the community offering as may be necessary in order for Vericity to qualify for listing on the Nasdaq Capital Market.

The Company may commence the community offering concurrently with, at any time during, or as soon as practicable after the end of, the subscription offering, and the community offering must be completed within 30 days after the end of the subscription offering, unless extended by the Company. Other than eligible employees, whose subscriptions are subject to the terms of the Employee Bonus Program, the maximum amount that any person together with any associate may, directly or indirectly, subscribe for or purchase in the community offering, shall not exceed 743,750 shares of common stock.

The Employee Bonus Program

In connection with the conversion, Members Mutual has adopted a bonus program for eligible employees who, in recognition of their efforts on behalf of Members Mutual to position it to become a publicly-traded stock company, will be given the opportunity to receive a bonus payable either in \$1,000 cash or 100 shares of common stock of Vericity, in either case together with an additional \$250 cash to help defray taxes payable with respect to the bonus. The Employee Bonus Program will be conducted as part of the community offering and is subject to completion of the conversion.

It is the intention of the Company to accept all orders of stock from eligible employees in the Employee Bonus Program so long as the total number of shares of common stock subscribed for by participants in the subscription offering together with shares subscribed for by eligible employees in the Employee Bonus Program is less than 20,125,000. In the event the total number of shares subscribed for in the subscription offering and the Employee Bonus Program exceeds 20,125,000 shares, no shares of common stock will be issued to eligible employees under the Employee Bonus Program and the bonus will be paid in cash, subject to completion of the conversion.

The Standby Purchaser

Apex Holdco L.P., the standby purchaser, was formed on October 1, 2018 to acquire shares of our common stock pursuant to the standby purchase agreement. Prior to the completion of the standby offering, the standby purchaser has not engaged in any business operations and does not have any assets or liabilities (other than its rights and obligations under the standby purchase agreement). The standby purchaser is managed by Apex Holdco GP LLC, its general partner. Apex Holdco GP LLC is an affiliate of J.C. Flowers & Co. LLC.

At this time it is not possible to determine the number of shares of common stock of the Company that the standby purchaser will purchase pursuant to the standby purchase agreement. However, in fulfilling its standby purchase commitment, the standby purchaser will acquire a majority of our shares issued in the offerings if the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, total fewer than 7,437,500 shares. Pursuant to the standby purchase agreement, after the completion of the offerings, the standby purchaser will have the right to designate a majority of the members of our board of directors whether or not it acquires a majority of the stock sold in the offering. If the standby purchaser acquires a majority of our shares in the standby offering, the standby purchaser will be able to approve most corporate actions requiring stockholder approval by written consent without a meeting of stockholders.

J.C. Flowers & Co. LLC was founded in 1998 and is a leading private investment firm dedicated to investing globally in the financial services industry. J.C. Flowers & Co. LLC invests across a range of deal types and industry sectors including banking, insurance and reinsurance, securities, services and asset management, and specialty finance. J.C. Flowers & Co. LLC is registered with the Securities and Exchange Commission as an investment adviser. With approximately \$6 billion of assets under management, J.C. Flowers & Co. LLC has offices in New York and London. Mr. J. Christopher Flowers is the sole owner of, and the managing member of, J.C. Flowers & Co. LLC.

Description of the Standby Purchase Agreement

The following is a summary of the material terms of the standby purchase agreement. It is qualified in its entirety by reference to the standby purchase agreement, a copy of which is attached as an exhibit to the registration statement of which this prospectus is a part, and is available for inspection in the manner set forth in the section titled “Additional Information.”

The Standby Purchase Commitment

Members Mutual, Vericity and Fidelity Life entered into the standby purchase agreement with the standby purchaser on October 5, 2018, as amended and restated on March 26, 2019, pursuant to which the standby purchaser agreed, subject to certain conditions, to acquire from us at the subscription price of \$10.00 per share the number of shares equal to the difference between the offering minimum of 14,875,000 shares and the number of shares of common stock subscribed for in the subscription offering, together with any subscriptions for shares accepted in the community offering. In addition, the standby purchaser has the right to purchase additional shares up to the offering maximum, which additional shares may permit the standby purchaser to acquire up to a majority of the stock sold in the offerings. Shares purchased by the standby purchaser in the standby offering will be purchased for investment and not for resale and will be counted toward satisfaction of the minimum number of shares needed to be sold to complete the subscription offering. The shares purchased by the standby purchaser in the standby offering are referred to as the “standby shares.” The standby purchaser’s payment obligations (including any payment due for damages) under the standby purchase agreement have been guaranteed by its affiliate, J.C. Flowers IV L.P., a private equity fund advised by J.C. Flowers & Co. LLC.

Conditions to Closing the Standby Offering

The obligations of the parties to consummate the standby offering are subject to customary closing conditions, including, among others:

Mutual Conditions to Close:

- (1) the absence of any governmental order prohibiting the transactions;
- (2) the approval by the Director of the Illinois Department of Insurance (the “Illinois Director”) of the plan of conversion, the amended and restated articles of converted Members Mutual and the acquisition of the standby shares by the standby purchaser (the “Illinois Approvals”) shall have been received and not revoked;
- (3) if applicable, Hart-Scott-Rodino approval shall have been obtained and not revoked;
- (4) the approval of the plan of conversion and the amended and restated articles of converted Members Mutual by at least two-thirds of the eligible members voting in person or by proxy at the special meeting;
- (5) the effectiveness of, and absence of a stop order relating to, the registration statement of which this prospectus is a part;
- (6) the satisfaction or waiver of all of the conditions precedent to the consummation of the offerings as set forth in the plan of conversion; and
- (7) the closing of the subscription offering shall be consummated simultaneously with the standby offering.

Members Mutual and Vericity Conditions to Close:

- (1) the accuracy of the representations and warranties of the standby purchaser, except for any inaccuracies that would not have a material adverse effect, in the standby purchase agreement as of the effective date of this registration statement;
- (2) the standby purchaser having performed in all material respects its obligations under the standby purchase agreement; and
- (3) the delivery of a certificate by the standby purchaser to Members Mutual and Vericity confirming the same.

Standby Purchaser Conditions to Close:

- (1) the accuracy of the representations and warranties (other than representations concerning authority, capitalization and broker fees), except for inaccuracies that would not have a material adverse effect, of Vericity and Members Mutual in the standby purchase agreement as of the effective date of this registration statement;

- (2) the accuracy of representations of Vericity and Members Mutual concerning authority, capitalization and broker fees as of the closing date;
- (3) Members Mutual and Vericity having performed in all material respects their obligations under the standby purchase agreement;
- (4) no material adverse effect having occurred between the date of the standby purchase agreement and the effective date of the registration statement;
- (5) the Illinois Department of Insurance shall not have revoked its prior written approval of that certain Reinsurance Agreement, effective July 1, 2013 between Fidelity Life Association and Hannover Life Reassurance Company of America or that certain Amended and Restated Reinsurance Agreement effective July 1, 2016 between Fidelity Life Association and Hannover Life Reassurance Company of America; and
- (6) the delivery of certificates by Members Mutual and Vericity confirming the matters described in clauses (1) through (4) above and that the resolutions adopted by the Vericity board authorizing the transaction remain in effect.

Special Meeting of the Members of Members Mutual

Members Mutual has agreed that, subject to its right to terminate the standby purchase agreement under certain conditions, it will duly call and hold a special meeting of members for the purpose of voting to adopt the plan of conversion and the amended and restated articles of incorporation of converted Members Mutual, as soon as practicable after the later of (i) the date upon which both the plan of conversion and the acquisition of the standby shares by the standby purchaser by the Illinois Director have been approved, and (ii) the effective date of the registration statement. Notice of the special meeting will be mailed at least 30 days prior to the date of the special meeting.

Post-Closing Covenants

Corporate Governance Matters

At the closing, the bylaws of Vericity will be amended and restated to provide, during the period (the “standstill period”) between the closing and the sale or other business combination pursuant to which all the outstanding capital stock of Vericity is sold (other than any equity rollover made by the standby purchaser not to exceed 10% of the common stock owned by the standby purchaser) in a single transaction in which all stockholders of Vericity are offered the same consideration (a “sale of the company”) to a third party not affiliated with the standby purchaser (a “third party purchaser”), that among other things:

- (1) the board of directors of Vericity will consist of designees appointed by the standby purchaser (the “standby purchaser designees”) and designees appointed by Vericity (the “company designees”);
- (2) the number of company designees shall not exceed six (6) nor at any time be less than two (2) and that the number of standby purchaser designees at any given time shall be one (1) more than the number of company designees but in no event less than three (3); provided, that if among the company designees and the standby purchaser designees there are insufficient independent directors available to satisfy the independence requirements under the rules of the Nasdaq stock market or the SEC relating to the number of independent directors required to serve on the board of directors or any committee thereof, the standby purchaser shall have the right to designate the minimum number of additional directors necessary to satisfy such applicable independence requirements; provided, further, that while the standby purchaser shall have the right to designate such additional directors and their successors or replacements, such additional directors shall not be deemed to be standby purchaser designees under the standby purchase agreement;
- (3) the compensation payable to the company designees may not be decreased without the consent of a majority of the company designees, and may not be increased without the consent of a majority of the standby purchaser designees;
- (4) in the event of any vacancy in the office of any standby purchaser designee, a majority of the remaining standby purchaser designees will have the right to designate a replacement, and in the event of any vacancy in the office of any company designee, a majority of the remaining company designees will have the right to designate a replacement, in each case to fill the vacancy, provided that in the case of a vacancy of a company designee, the standby purchaser may elect to reduce the size of the board of directors by two with one of the standby purchaser designees resigning such that the standby purchaser will continue to have one more designee than the number of company designees;

- (5) at any election of directors of Vericity, a majority of the standby purchaser designees will have the right to nominate the successors of the standby purchaser designees (and as applicable such additional directors as are necessary to satisfy the independence requirements under the rules of the Nasdaq stock market or the SEC), and a majority of the company designees will have the right to nominate the successors of the company designees;
- (6) an advisory board will be established to provide general policy advice to the board, with members serving until the earlier of (i) the consummation of a sale of the company to a third party purchaser, (ii) the termination of the advisory board on the fifth anniversary of the closing, or (iii) the member's death, retirement, resignation or removal for cause;
- (7) in the event that there are no remaining company designees to designate successor company designees, a majority of the members of the advisory board will have the right to designate successor or replacement company designees; and
- (8) members of the advisory board will be entitled to the same compensation and expense reimbursement as the company designees, and separate rights to third-party indemnification and advancement of expenses for service on the advisory board.

Effective upon the closing, the compensation payable to the company designees shall be \$100,000 per year. These post-closing governance provisions are intended to be for the benefit of (a) Members Mutual and its affiliates and will be enforceable by the company designees against the standby purchaser and Vericity and its affiliates, and (b) the standby purchaser and will be enforceable by the standby purchaser against the company designees, as applicable, during the standstill period.

Standstill Period:

Minority Protections. During the standstill period, the standby purchaser agrees:

- (1) it will not vote its shares to (a) remove or seek to remove any company designee from the board of directors, unless approved by a majority of the company designees or for cause, or (b) approve or seek to approve a material amendment (as defined below) to the restated charter or restated bylaws of Vericity, unless approved by a majority of the company designees (except that this provision shall not prevent the standby purchaser from voting its shares in favor of the sale of the company to a third party purchaser);
- (2) it will vote all its shares as recommended by a majority of the company designees with respect to (i) the election of company designees as directors and (ii) the removal of any standby purchaser designee for cause;
- (3) it and Vericity will consider in good faith the reasonable recommendations from the chief executive officer to maintain or enhance the "A-" A.M. Best rating of Fidelity Life and as may be required by the Illinois Department of Insurance; and
- (4) that any transaction between the standby purchaser or any of its affiliates, on the one hand, and Vericity or any of its subsidiaries, on the other hand, shall be subject to approval by the company designees, and the standby purchaser designees shall recuse themselves from voting on the approval of such transactions, provided that the standby purchaser designees are not required to recuse themselves from any decision approving only ordinary course transactions on arm's length terms between a portfolio company of the standby purchaser or its affiliates and Vericity or its subsidiaries.

In addition, during the Standstill Period, Fidelity Life has agreed that following the conversion it will not pay any dividend in respect of its capital stock, unless approved by a majority of the company designees.

As used in clause (1) above, a "material amendment" is defined as an amendment that amends or seeks to amend the restated charter or restated bylaws of Vericity in any manner that would (i) except with respect to the creation and/or issuance of one or more series of preferred stock of Vericity, adversely affect the voting or other rights, interests or economic value of the common stock held by any Vericity stockholder, (ii) affect the voting or other rights, interests or economic value of the common stock held by any Vericity stockholder disproportionately as compared to the standby purchaser, (iii) seek to effect a reverse stock split, recapitalization, or reclassification of the common stock of Vericity, (iv) amend Article IV of the restated charter (except with respect to the creation and/or issuance of one or more series of preferred stock of Vericity), Article V or Article X of the restated charter, (v) amend Article VIII of the restated charter in any manner that would adversely affect the rights of the company designees thereunder; or (vi) amend Article III, Article IV, Section 5.2, or Section 7.12 of the restated bylaws.

These minority protection provisions are intended to be for the benefit of Members Mutual and its affiliates and will be enforceable by the company designees against the standby purchaser and Vericity and its affiliates during the standstill period.

Standstill Protections. During the standstill period, except in connection with a sale of the company to a third party purchaser, without the approval of a majority of the company designees, the standby purchaser will not, directly or indirectly seek to, among other things:

- (1) make any solicitation of proxies or consents, influence any person with respect to the voting of any shares of Vericity, or solicit the approval of any stockholder proposals;
- (2) seek, propose or make any statement (except for (i) the standby purchaser designees acting solely in their capacity as directors of Vericity, (ii) by offers or proposals to the board which do not require or result in public disclosure, or (iii) communications to existing and prospective investors and limited partners in the standby purchaser's parent fund and affiliated investment vehicles thereof which do not require or result in public disclosure or an amendment to a Schedule 13D or any other filings of the standby purchaser pursuant to the Exchange Act regarding the standby purchaser's beneficial ownership in Vericity, in each case in connection with the sale of the company to a third party purchaser) with respect to any business combination transaction or sale of assets involving Vericity or any of its affiliates;
- (3) directly or indirectly acquire (with certain exceptions) any equity securities, debt securities or assets of Vericity or any of its subsidiaries;
- (4) form, join, or participate in a "group" (as defined in section 13(d)(3) of the Securities Exchange Act of 1934) with respect to any shares of common stock, other than a group composed solely of the standby purchaser;
- (5) subject any shares of Vericity to voting trust or other voting arrangement;
- (6) seek to control or influence the management of Vericity or its board or policies or make any demand for a stockholder list or to inspect the books or records of Vericity or its affiliates;
- (7) seek to nominate, elect or remove directors to the board of Vericity other than as provided for in the standby purchase agreement;
- (8) have any discussions or enter into any arrangements with or encourage any other person in connection with any of the foregoing (including by granting any waiver to any legal or other firm that represented or was engaged by the standby purchaser or its affiliates or any of their legal counsel with respect to Vericity, which waiver would permit any such firm to represent any person in connection with matters relating to Vericity); or
- (9) sell, assign, lend, or otherwise dispose of any standby shares, directly or indirectly, or otherwise take any action inconsistent with the foregoing.

These standstill provisions are intended to be for the benefit of Members Mutual and its affiliates and will be enforceable by the company designees against the standby purchaser and Vericity and its affiliates during the standstill period. For the avoidance of doubt, the standstill provisions will not prevent the Vericity board or the standby purchaser or its affiliates from taking actions to solicit, assist or encourage a third party purchaser solely in connection with a potential sale of the company to such third party purchaser.

Post-Closing Protection Period

During the period between the closing date and the earlier of the three year anniversary of the closing date and the expiration of the standstill period, the standby purchaser and Vericity agree that James Hohmann will serve as chief executive officer of Vericity, subject to his earlier death, resignation or removal for cause.

In addition, the standby purchaser and Vericity agree that, except as may otherwise be recommended by the chief executive officer:

- (1) for a period of two years following the closing, Vericity and its subsidiaries will (i) not conduct a material reduction in the total number of their employees compared to the total number employed at the closing or reduce the compensation of their employees in a manner that is less favorable in the aggregate to that provided prior to the closing (subject to maintenance of satisfactory performance evaluations), and (ii) will not amend any benefit plans of Vericity or its subsidiaries in effect upon the closing (subject to the rights therein to terminate or amend such plans, only upon the recommendation of the chief executive officer); provided, that these provisions are not intended as a guarantee of employment or of any benefits, or to prohibit the chief executive officer from making employee changes as business needs may dictate; and

- (2) for a period of three years following the closing, Vericity will cause Fidelity Life and Efinancial to maintain their principal places of business at their current locations in Chicago and Bellevue.

Termination

Termination by Mutual Consent:

The standby purchase agreement may be terminated by mutual written agreement of Vericity, Members Mutual and the standby purchaser.

Termination by Members Mutual or the Standby Purchaser:

The standby purchase agreement may be terminated by Members Mutual or the standby purchaser if:

- (1) the approval by the eligible members is not obtained at the special meeting,
- (2) the closing is not consummated before September 30, 2019, or
- (3) there is any governmental order prohibiting the completion of the transaction.

Termination by Members Mutual:

The standby purchase agreement may be terminated by Members Mutual if:

- (1) the standby purchaser materially breaches and does not timely cure any breaches of its representations, warranties, covenants or agreements (provided that neither Members Mutual nor Vericity is in material breach of any of their respective representations or covenants in the agreement); or
- (2) Members Mutual has abandoned the plan of conversion and terminated the subscription offering prior to the eligible member approval at the special meeting.

Termination by the Standby Purchaser:

The standby purchase agreement may be terminated by the standby purchaser:

- (1) if Members Mutual or Vericity materially breaches, and do not timely cure, any breaches of their respective representations or warranties prior to the effective date of the registration statement of which this prospectus is a part (provided that the standby purchaser is not in material breach of any of its representations or covenants in the agreement); or
- (2) within five (5) days of the receipt of the Illinois Approvals, if and only if the Illinois Approvals contain or require, in good faith determination of the standby purchaser, the imposition of a burdensome condition.

Burdensome Condition

A “burdensome condition” is defined as any condition, requirement or arrangement that would (i) be reasonably likely to materially change the manner in which Members Mutual or any of its subsidiaries has conducted its business in the normal course, (ii) require any material capital contribution, (iii) require any maintenance agreement or keep well obligation that imposes any condition, restriction or obligation that is not required by applicable law, (iii) impose any dividend limitation other than those provided under applicable law; (v) require the material amendment of or modification of the terms of any material agreement between or among any of Vericity or any of its subsidiaries, or (vi) require any changes to the size, composition or voting or consent rights of the board of directors of Vericity or any of its subsidiaries, of the standby purchaser designees or company designees, or the standby purchaser.

Abandonment of the Plan of Conversion

Members Mutual may “abandon” the plan of conversion and terminate the subscription offering upon determining in good faith that continued prosecution of the plan of conversion and subscription offering would (i) have a material adverse effect (as defined in the standby purchase agreement), (ii) materially affect the aggregate economic benefits reasonably anticipated by Vericity from the transactions contemplated under the standby purchase agreement, or (iii) result in any condition or limitation that would materially limit or impose a material financial burden on the ability of Vericity to operate any subsidiary in a manner consistent with past practice.

If the standby purchase agreement is terminated by Members Mutual due to abandonment of the plan of conversion, Members Mutual will reimburse the standby purchaser for reasonable transaction expenses up to \$750,000.

Capital Needs Assessment

The standby purchase agreement provides that within six months following the closing of this offering, the Vericity board shall direct Vericity management to undertake and complete an assessment (the “capital needs assessment”) of the current and projected capital reasonably required to be maintained at Vericity to support the current and near term projected adequacy of capital levels at Fidelity Life and Efinancial and holding company expenses at Vericity. If as a result of this assessment, Vericity management determines that the amount of capital in Vericity exceeds the reasonable current and near term projected capital requirements, Vericity management shall determine the amount of excess capital (if any) that may be available for distribution to the stockholders of Vericity as a return of capital in the form of a special dividend and may recommend to the Vericity board that it consider the declaration of a special dividend in an amount not to exceed the amount of excess capital. Notwithstanding the foregoing, any decision regarding the declaration of any dividend, and the amount thereof, will be in the sole discretion of the board of directors of Vericity and will depend on many factors, including without limitation the capital needs assessment, general economic and business conditions, Vericity’s financial results and condition, legal and regulatory requirements and any other factors that the Vericity board may deem relevant.

Regulatory Filings

The standby purchaser, Members Mutual, and Vericity have agreed to make all filings required by the Illinois Department of Insurance, or any other relevant jurisdiction, as promptly as possible, and with the SEC with respect to the registration statement of which this prospectus is a part. The parties have agreed to use their reasonable best efforts to cooperate with each other in timely making all filings and seeking all required consents, approvals, notices, or authorizations for the transactions, and to provide the other party with a reasonable opportunity to review such documents prior to the filing thereof and reasonably consider any comments suggested by the other party or its counsel. The parties have further agreed to use their reasonable best efforts to take all other actions necessary to consummate the transactions contemplated in the standby purchase agreement.

Vericity has agreed (other than respect to information furnished by the standby purchaser) that (i) the registration statement, on the date it becomes effective, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading and (ii) the prospectus, at the expiration of the subscription offering period, will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Director and Officer Indemnification and Insurance

The standby purchase agreement provides that all rights to indemnification, advancement of expenses and exculpation by Vericity and its subsidiaries of each person who was or may become a director or officer of such entity will continue in full force and effect in accordance with their respective terms. Vericity has also agreed that at or prior to the closing date, it will enter into indemnification agreements with each of the standby purchasers designees and advisory board members in a form previously agreed to by the parties. Further, for a period of six (6) years following the closing, the current policies (or substantially similar policies) of directors’ and officers’ liability insurance will be maintained by Vericity and its subsidiaries. Each of the directors and officers shall be third-party beneficiaries of this provision.

Operating Covenants

From the date of the standby purchase agreement until the closing date, each of Members Mutual and its subsidiaries has agreed to customary operating covenants, including, among other things not to: (1) adopt or propose any change to its charter or bylaws, (2) issue or redeem any of its capital stock, (3) declare, set aside, or pay any cash or non-cash dividend, (4) merge or consolidate with any other entity or acquire any material assets or equity of any other entity, (5) sell or encumber any material assets, (6) enter into or amend any material employment agreement or any benefit plan or to pay any employee compensation or benefit except in the ordinary course of business, (7) change any method of accounting or accounting practice, (8) make or change any material tax election, settle any material tax claim or file any tax return that is materially inconsistent with past practice, (9) enter into, modify or amend in any material respect or terminate any material contract, (10) abandon, modify, waive, terminate or otherwise change any of its insurance licenses, (11) enter into any material agreement or consent order with government entities, (12) make any material loans except in the ordinary course of

business, (13) enter into any material new line of business, (14) materially alter the practices or rates related to earned commission from external customers, (15) settle any material litigation, (16) form or cause the formation of any subsidiary, (17) amend the terms of the compensation payable to the investment bankers in connection with the subscription offering and/or the standby offering, and (18) acquire or dispose of any material properties.

Representations and Warranties

The standby purchase agreement contains certain customary representations and warranties. Each of Members Mutual, Vericity, and the standby purchaser has made representations and warranties regarding, among other things: (i) organization; (ii) authority to enter into the agreement and related documents; (iii) required regulatory filings and consents and approvals of governmental authorities; (iv) the accuracy of statements made in the registration statement; and (v) brokers' fees payable in connection with the offerings.

Standby purchaser has made additional representations and warranties related to: (i) its status as an accredited investor; (ii) tax matters; (iii) that it has, or will have at closing, available funds to enable it to consummate the transaction; and (iv) that it has undertaken its own independent investigation of Vericity and its subsidiaries.

Members Mutual has made additional representations and warranties related to: (i) capitalization; (ii) GAAP financial statements; (iii) statutory financial statements; (iv) absence of a material adverse effect since June 30, 2018; (v) compliance with applicable laws; (vi) regulatory filings; (vii) tax matters; (viii) labor matters; (ix) benefit plans; (x) absence of undisclosed liabilities; (xi) litigation; (xii) material contracts; (xiii) intellectual property; (xiv) privacy policies; (xv) anti-bribery, anti-corruption, anti-money laundering laws; (xvi) sanctions; and (xvii) related party transactions.

Vericity has made additional representations and warranties related to: (i) capitalization; (ii) validity and issuance of stock; and (iii) the availability of an exemption from registration of the stock issued in the standby offering.

Closing

The closing of the transactions contemplated by the standby purchase agreement will occur as soon as possible after, and in any event within three (3) business days after the satisfaction (or if applicable, waiver) of all closing conditions.

Stock Pricing and Number of Shares to be Issued

The plan of conversion requires that the range of the value of the total number of shares to be issued in this offering must be based on a valuation of our estimated consolidated pro forma market value. Under the plan of conversion, the valuation must be in the form of a range consisting of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation and a valuation fifteen percent (15%) below the midpoint valuation. We retained Boenning & Scattergood, Inc. to determine the valuation range for this offering. Boenning & Scattergood, Inc. has determined that, as of April 11, 2018, the estimated consolidated pro forma market value of Members Mutual is \$175,000,000 at the midpoint, and the range of value of the total number of shares of common stock to be issued in the offering is between a minimum value of \$148,750,000 and a maximum value of \$201,250,000. We plan to issue between 14,875,000 and 20,125,000 shares in the offering. This range was determined by dividing the \$10.00 price per share into the range of Boenning & Scattergood, Inc.'s valuation. Shares purchased by the directors and officers of Members Mutual will be purchased for investment and not for resale and will be counted toward satisfaction of the minimum number of shares needed to be sold to complete this offering.

We determined to offer the common stock in the subscription offering at the price of \$10.00 per share to ensure a sufficient number of shares are available for purchase by eligible members. In addition, Raymond James advised us that the \$10.00 per share offering price is commonly used in mutual-to-stock conversions of other insurance companies and savings banks and savings associations that use the subscription rights conversion model. These were the only factors considered by our board of directors in determining to offer shares of common stock at \$10.00 per share.

There is a difference of \$52.5 million between the low end and the high end of the estimated valuation range of Boenning & Scattergood, Inc.'s valuation. As a result, the percentage interest in Vericity that a purchaser of shares in this offering will have is greater if 14,875,000 shares are sold than if 20,125,000 shares are sold. In addition, assuming that the actual consolidated market value of Members Mutual will be within the broad estimated valuation range, this consolidated market value may be materially more or less than the total amount of subscriptions and orders received. Therefore, purchasers, in total and on a per share basis, may pay more for the common stock than the actual market value.

We cannot assure you that the market price for the common stock immediately following this offering will equal or exceed \$10.00 per share.

If Subscriptions Received in the Subscription Offering Meet or Exceed the Maximum Number of Shares Offered

If, after the subscription offering, the number of shares subscribed for by eligible members and the directors and officers of Members Mutual in the subscription offering is equal to or greater than 20,125,000 shares, this offering will be promptly completed. In the event of an oversubscription in the subscription offering by eligible members or the directors and officers of Members Mutual, shares of common stock will be allocated among the subscribing participants as described above under “—Subscription Offering and Subscription Rights.”

If Subscriptions Received in the Subscription and Community Offerings Meet or Exceed the Required Minimum

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering is equal to or greater than 14,875,000 shares, but less than 20,125,000 shares, then this offering will be promptly completed. In this event, the standby purchaser may also purchase any unsubscribed shares, provided that we will not issue more than 20,125,000 shares in the offerings.

If Subscriptions Received in the Subscription and Community Offerings Do Not Meet or Exceed the Minimum

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, the standby purchaser has agreed to purchase enough shares in the standby offering to guarantee the sale of the minimum number of shares necessary to complete this offering, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings. In that event, the level of sales to eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

Costs of the Conversion and Offering

We expect to incur significant costs to complete the conversion and this offering, including among others legal, accounting, valuation and printing expenses, as well as filing fees, exchange listing costs and commissions and expenses for the marketing and sale of the shares of our common stock. We expect the expenses of the conversion and this offering (including commissions) to be approximately \$12.0 million and \$10.4 million, or approximately 8.1% and 5.2% of the gross proceeds, at the minimum and the maximum of the offering range, respectively, resulting in net proceeds to us of approximately \$136.8 million at the minimum and \$190.9 million at the maximum of the offering range. See the “Offering Summary” on the front cover of the prospectus for the assumptions used to arrive at these amounts.

Offering Deadline

All subscription rights will expire at 5:00 PM, Central Time, on [●]. Subscription rights not exercised prior to this deadline will be void, whether or not we have been able to locate each person entitled to receive subscription rights. We reserve the right in our sole discretion to terminate this offering at any time and for any reason, in which case we will cancel your order and return your payment without interest.

Use of Order Forms in this Offering

If you wish to purchase shares of common stock in the subscription offering or if you are an investor (other than an eligible employee) whose subscription has been accepted in the community offering, you must sign and complete the stock order form that accompanies this prospectus and send it to us with your payment such that your order is received before the offering deadline. You may submit your order to us by overnight delivery to the address indicated for this purpose on the top of the stock order form or by mail using the stock order reply envelope provided. Payment by check or money order must accompany the stock order form. No cash or third party checks will be accepted. All checks or money orders must be made payable to “Computershare Trust Company, N.A., as escrow agent for Vericity, Inc.” We may permit certain persons whose subscriptions are accepted in the community offering to make payment of the purchase price by a wire transfer to the escrow agent.

The completed stock order form and payment in full for the shares ordered in the subscription offering must be received (not postmarked) no later than 5:00 PM, Central Time, on [●]. We expect that the community offering will terminate on or about the same time. Once submitted, your order is irrevocable without our consent, unless we terminate this offering. Our consent to any modification or withdrawal request may or may not be given in our sole discretion.

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If you are an eligible employee and wish to purchase 100 shares of stock under the Employee Bonus Program, you must complete the Employee Bonus Program Election Form and follow the instructions provided.

No prospectus will be mailed any later than five days prior to the expiration date of this offering, or hand delivered any later than two days prior to such date. This procedure is intended to ensure that each purchaser receives a prospectus at least 48 hours prior to the expiration of this offering in accordance with Rule 15c2-8 under the Securities Exchange Act of 1934. Execution of the stock order form will confirm receipt or delivery in accordance with Rule 15c2-8. Stock order forms will be distributed only with or preceded by a prospectus. We reserve the right to reject photocopies and facsimile copies of stock order forms.

A subscription right may be exercised only by the participant to whom it is issued and only for such person's own account. The subscription rights granted under our plan of conversion are nontransferable. Each eligible member or other participant subscribing for shares of common stock is required to represent that such member is purchasing the shares for such member's own account. Each eligible participant also must represent that such participant has no agreement or understanding with any other person for the sale or transfer of the shares. We are not aware of any restrictions that would prohibit eligible members purchasing shares of common stock in the subscription offering who are not officers or directors of Members Mutual from freely transferring shares after this offering. See "—Limitations on Resales."

We will have the absolute right, in our sole discretion, and without liability to any person, to reject any stock order form, including but not limited to a stock order form that is:

- not timely received;
- improperly completed or executed;
- is not accompanied by payment in full for the shares of common stock subscribed for; or
- submitted by a person who we believe is making false representations or who we believe may be violating, evading or circumventing the terms and conditions of the plan of conversion.

We may, but are not required to, waive any improperly completed or executed stock order form. We also may require the submission of a corrected stock order form or the remittance of full payment for the shares of common stock subscribed for by any date that we specify. Our interpretations of the terms and conditions of the plan of conversion and determinations concerning the acceptability of the stock order forms will be final, conclusive and binding upon all persons. We (and our directors, officers, employees and agents) will not be liable to any person in connection with any interpretation or determination.

Payment for Shares

When you submit a completed stock order form to us, you must include payment in full for all shares of common stock covered by such order form. Payment may be made by check or money order in U.S. dollars and must be made payable to "Computershare Trust Company, N.A., as escrow agent for Vericity, Inc." We may permit certain persons whose subscriptions are accepted in the community offering to make payment of the purchase price by a wire transfer to the escrow agent. Payments will be placed in an escrow account at Computershare Trust Company, N.A., who will serve as the escrow agent. The escrow account will be administered by the escrow agent. An executed stock order form, once received by us, may not be modified or rescinded without our consent; provided, however, that no order form will be accepted until Vericity's Registration Statement of which this prospectus is a part has been declared effective by the SEC, and any order form received prior to that time will be rejected and no sale of common stock will be made in respect thereof. Funds accompanying stock order forms will not be released to us by the escrow agent until this offering is completed and all of the conditions to completion of the conversion and the offering have been satisfied.

Delivery of Shares of Common Stock Purchased in the Subscription Offering

All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription offering will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the conversion and offering. We expect trading in the stock to begin on the day of completion of the conversion and offering or the next business day. The conversion and offering are expected to be completed as soon as practicable following satisfaction of the conditions described below in "—Conditions to Completion of the Conversion and this Offering." Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers may not be able to sell the shares of common stock which they ordered, even though the common stock will have

begun trading. Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Stock Information Center

If you have any questions regarding this offering, please call the Stock Information Center at 1-[●], Monday through Friday from 10:00 a.m. to 4:00 p.m., Central Time to speak with a representative of Raymond James. The Stock Information Center will be closed on weekends and holidays.

Persons Who Cannot Exercise Subscription Rights

Vericity will make reasonable efforts to comply with the securities laws of all states in the United States in which eligible members reside. However, Vericity and Members Mutual are not required to offer stock in the subscription offering to any person who resides in a foreign country or resides in a state or territory of the United States with respect to which the granting of subscription rights or the offer or sale of shares of common stock to such persons would require Vericity, or its officers, trustees or employees, under the laws of such jurisdiction, to register as a broker, dealer, salesman or selling agent or to register or otherwise qualify its securities for sale in such jurisdiction or to qualify as a foreign corporation or file a consent to service of process in such jurisdiction.

Conditions to Completion of the Conversion and this Offering

Our ability to complete this offering is subject to two conditions. First, a minimum of 14,875,000 shares of common stock must be sold to complete this offering. Second, Members Mutual's plan of conversion and amended and restated articles of incorporation must be approved by the affirmative vote of at least two-thirds of the votes cast at the special meeting of members to be held on [●]. No funds will be released from the escrow account until both of these conditions have been satisfied.

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, and if all of the conditions to the standby purchaser's purchase commitment have been satisfied, the standby purchaser will be obligated to purchase enough shares in the standby offering to guarantee the sale of the minimum number of shares necessary to complete this offering. In that event, the level of sales to eligible members and directors and officers of Members Mutual will not impact the condition that at least 14,875,000 shares must be sold to complete this offering. Accordingly, the sale of the minimum number of shares necessary to complete this offering does not indicate that sales have been made to investors who have no financial or other interest in the offerings, and the sale of the minimum number of shares should not be viewed as an indication of the merits of this offering.

If these conditions are not satisfied for any reason, we may elect to terminate this offering, in which case all funds delivered to us for the purchase of stock in this offering will be promptly returned to subscribers without interest.

Limitations on Purchases of Common Stock

Minimum Purchase Limitation

The plan of conversion provides that no person may subscribe for fewer than 25 shares in this offering.

Maximum Purchase Limitations

Eligible Members. The plan of conversion provides that no eligible member, together with such person's associates or a group acting in concert, may directly or indirectly, subscribe for or purchase in this offering more than such member's individual maximum purchase limit. Each eligible member's individual maximum purchase limit will be printed on the stock order form that is mailed to each eligible member along with a copy of the prospectus. The maximum purchase limit is based on an allocation of (i) a fixed minimum number (100) of subscription rights, regardless of the number of policies owned by such eligible member, plus (ii) a variable number of subscription rights, if any, determined based on actuarial formulas that take into account the past and anticipated future contributions to Fidelity Life's surplus of all of the eligible member's policies that were in force on the adoption date of the plan of conversion. Such allocations were determined in accordance with actuarial analyses included with the plan of conversion.

Each eligible member's maximum purchase limit will range between 100 shares and 743,750 shares, based on the actuarial allocation described above. Notwithstanding an eligible member's individual maximum purchase limit, eligible members may not purchase in the aggregate more than 20,125,000 shares. In the event that all eligible members subscribe for their individual maximum purchase limit, the subscription offering would be oversubscribed. In the event of an

oversubscription in the subscription offering, subscriber's subscriptions will be cut back and a total of 20,125,000 shares of common stock will be allocated among the subscribing participants as described above under "—Subscription Offering and Subscription Rights."

Directors and Officers. Subject to the prior rights of eligible members to subscribe for up to 20,125,000 shares in this offering, the plan of conversion provides that no director or officer of Members Mutual, together with such person's associates or a group acting in concert, may directly or indirectly, subscribe for or purchase in this offering more than such person's individual management purchase limit. Members Mutual has determined each individual management purchase limit based on factors including years of service, positions held and compensation. A subscribing director or officer of Members Mutual who is also an eligible member will be deemed to subscribe first in such person's capacity as an eligible member. Under Illinois law, the plan of conversion and the terms of this offering, the directors and officers of Members Mutual, in their capacities as such, together with their affiliates and associates are subject to limitations on how many shares they may purchase, and in this offering may not purchase in the aggregate more than 4,016,250 shares.

In the event that there are insufficient shares remaining after subscriptions by the eligible members to satisfy in full all of the subscriptions by directors and officers of Members Mutual, the shares available will be allocated among the subscribing management participants as described above under "—Subscription Offering and Subscription Rights."

Eligible Employees and Other Investors in the Community Offering. If the number of shares of common stock subscribed for by eligible members in the subscription offering, together with shares of common stock subscribed for by eligible employees under the Employee Bonus Program, exceeds 20,125,000, no shares of common stock will be issued to eligible employees under the Employee Bonus Program and the bonus will be paid in cash, subject to completion of the conversion.

Excluding subscriptions by eligible employees, which are subject to the terms of the Employee Bonus Program, the maximum amount of common stock that any investor, together with any associate, may, directly or indirectly, subscribe for or purchase in the community offering, shall not exceed 743,750 shares.

Other Limitations. In addition to the limitations set forth above, under Illinois law and the plan of conversion, no person or a group of persons acting in concert (other than the standby purchaser), may acquire, directly or indirectly, in this offering or any public offering, more than 5% of the capital stock of Vericity for a period of five years from the effective date of the conversion without the approval of the Illinois Director of Insurance.

General Matters Regarding Purchase Limitations

For purposes of the limitations described above, an associate of a person includes:

- any relative or spouse of such person, or any relative of such person's spouse, who shares the same home as such person;
- any corporation or other organization (other than the Company or a majority-owned subsidiary of the Company) of which such person is an officer, director, or partner, or of which such person is, directly or indirectly, a beneficial owner of 10% or more of any class of equity securities;
- any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity (exclusive of any employee stock benefit plan of the Company); and
- any person acting in concert with any of the persons or entities listed above.

The subscription of any person who subscribes for more shares than the person's maximum purchase limitation as set forth on the stock order form will be disregarded in its entirety or reduced to the person's maximum purchase limitation, at the discretion of Vericity.

There were approximately 215,500 eligible members of Members Mutual as of July 31, 2018, the date the plan of conversion was adopted by the board of directors of Members Mutual. If subscriptions by eligible members for common stock meet or exceed the maximum of the estimated valuation range set forth in Boenning & Scattergood, Inc.'s valuation, we will be obligated to sell to eligible members the maximum number of shares offered. We are unable to predict the number of eligible members that may participate in the subscription offering or the extent of their participation.

The directors and officers of Members Mutual will not be deemed to be associates of one another or a group acting in concert with one another solely as a result of their capacities as such.

Each person purchasing common stock in this offering will be deemed to confirm that the purchase does not conflict with the purchase limitations under the plan of conversion or otherwise imposed by law. We have the right to take any action as we may, in our sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions described above and in the plan of conversion and the terms, conditions and representations contained in the order form, including, but not limited to, our absolute right to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of common stock which we believe might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, eligibility requirements, limitations, restrictions and representations. Any such action will be final, conclusive and binding on all persons, and we will be free from any liability to any person on account of any such action. To that end, if any person violates the purchase limitations, we will have the right to purchase from that person at the purchase price of \$10.00 per share, all shares acquired by the person in excess of the purchase limitation. If the person has sold these excess shares, we are entitled to receive the difference between the aggregate purchase price paid by the person for the excess shares and the proceeds received by the person from the sale of the excess shares. This right of Vericity to purchase excess shares is assignable.

Marketing Arrangements

We have engaged Raymond James and Griffin as financial advisors to consult with and advise and assist us in connection with these offerings. Raymond James and Griffin are broker-dealers registered with the Securities and Exchange Commission and are members of the Financial Industry Regulatory Authority. In their role as financial advisors, Raymond James and Griffin will:

- assist us in assessing the financial and securities market implications of the plan of conversion;
- assist us in the identification and evaluation of potential investors and strategies leading to an investment as part of the plan of conversion (an “Investment”) or alternative plan of conversion that does not involve a subscription offering by Members Mutual (a “Transaction”);
- assist us in the dissemination of descriptive information regarding the Company to potential investors;
- assist us in negotiating financial and business terms and conditions with potential investors and in evaluating and qualifying competing offers, including the evaluation of any securities or other assets offered as part of a Transaction;
- assist us in negotiating certain agreements ancillary to an Investment or a Transaction;
- assist us in presenting alternative Investment or Transaction proposals to the Company’s board of directors;
- assist us in presenting alternative Investment or Transaction proposals to the Illinois Department of Insurance and/or other regulators, as requested;
- assist us in structuring and in communicating the terms of the plan of conversion and subscription offering;
- assist us in the preparation of all documents for execution of the plan of conversion, including the prospectus, stock order and certification form and all marketing materials;
- assist us in analyzing proposals from outside vendors in connection with the plan of conversion;
- assist us in scheduling and preparing for meetings with other broker dealers, as necessary;
- establish a stock information center, which shall provide a toll-free hotline to assist with policyholder inquiries; and
- provide such other general advice and assistance as may be reasonably requested and agreed upon by Raymond James, Griffin and us.

We have also engaged Raymond James to act as our records agent in connection with the plan of conversion. In its role as records agent, Raymond James will provide the following services: (a) processing of Fidelity Life’s policyholder records for each record date required by the plan of conversion, consolidation of policyholder records by ownership, identification of subscription priorities, calculation of member votes, household sorting of customer records and coordination with the Company’s financial printer for all required subscriber and member mailings; (b) processing of all stock orders received in the conversion, with daily status reporting to Company management; (c) allocating shares to qualifying subscribers if the offering is oversubscribed; coordination with the Company’s transfer agent for stock issuance and any required refund check processing; and (d) providing member proxy tabulation and reporting services, target group identification and reporting for solicitation efforts, proxy reminder mailings; act as, or support as needed, the inspector of election for the special meeting of members.

For these services, Raymond James and Griffin each received retainer fees of \$150,000, for a total of \$300,000. We will pay Raymond James and Griffin an investment fee equal to 3.0% of the funds provided through the standby purchaser, which fee shall be allocated 75% to Raymond James and 25% to Griffin. Upon closing of the subscription offering, we will pay Raymond James a marketing fee equal to 1.0% of the aggregate dollar value of all shares of the Company's common stock sold through the subscription offering, excluding subscriptions by the directors and officers of Members Mutual. Upon closing of the community offering, we will pay Raymond James and Griffin a marketing fee equal to 3.0% of the aggregate value of shares purchased by persons identified by the Standby Purchaser and 6.0% of the aggregate value of shares purchased by other persons in the community offering, which shall be allocated 75% to Raymond James and 25% to Griffin. We have also paid Raymond James a non-refundable cash fee of \$25,000 to serve as our records agent. Any retainer fees previously paid will be credited toward any investment fee payable.

In addition, whether or not the subscription offering is completed and in addition to any fees payable to Raymond James and Griffin, we will reimburse Raymond James and Griffin for all of their reasonable out-of-pocket expenses incurred in connection with, or arising out of, their engagement, up to a maximum of \$50,000. In addition, Raymond James and Griffin will be reimbursed for the fees and the reasonable out-of-pocket expenses of their legal counsel, not to exceed \$207,500. In the event of unusual circumstances or delays, or a resolicitation in connection with the subscription offering, this expense limit may be increased by mutual consent by an additional amount not to exceed \$15,000 for fees of legal counsel and \$5,000 for other out-of-pocket expenses. We have agreed to indemnify Raymond James and Griffin, together with their respective officers, directors, stockholders, employees, agents and controlling persons, from and against certain liabilities arising from their engagement with us.

Our directors and officers may participate in the solicitation of offers to purchase common stock. These persons will be reimbursed for their reasonable out-of-pocket expenses incurred in connection with the solicitation. Other trained employees of Members Mutual or its affiliates may assist in this offering in ministerial capacities, providing clerical work in effecting a sales transaction or answering questions of a ministerial nature. Questions of prospective purchasers will be directed to executive officers of Members Mutual or registered representatives of Raymond James. Our other employees have been instructed not to solicit offers to purchase shares of common stock or provide advice regarding the purchase of common stock. We will rely on Rule 3a4-1 under the Exchange Act, and sales of common stock will be conducted within the requirements of Rule 3a4-1, so as to permit officers, directors and employees to participate in the sale of common stock. None of our officers, directors or employees will be compensated in connection with their participation in this offering by the payment of commissions or other remuneration based either directly or indirectly on the transactions in the shares of common stock.

This offering will comply with the requirements of Rule 10b-9 under the Exchange Act.

Actuarial Opinion

We retained Milliman, Inc., an independent actuarial consulting firm, to advise us in connection with actuarial matters involved in the allocation of subscription rights and the establishment of the individual maximum purchase limitations. The opinion of Steven I. Schreiber, Principal of Milliman, dated March 25, 2019, relating to the proposed allocation of subscription rights among eligible members in consideration for the extinguishment of their membership interests in Members Mutual, states (in reliance upon the matters described in such opinion) that the principles, methodology and the allocation instructions for allocating consideration among the eligible members and for allocating shares in the event of an over subscription, each as set forth in the plan of conversion, are fair and equitable from an actuarial point of view. The opinion of Steven I. Schreiber is an exhibit to the registration statement of which this prospectus is a part, and is available for inspection in the manner set forth in the section titled "Additional Information." A copy of the actuarial opinion is also on file and available for inspection at our principal executive offices.

Proposed Management Purchases

The following table lists the approximate number of shares of common stock that each of the directors and executive officers of Members Mutual and their associates intend to purchase in this offering. In addition, non-executive officers of Members Mutual have indicated their intention to subscribe for an aggregate of 124,000 shares in this offering. The directors and executive officers listed below do not have any agreements or obligation to purchase the amounts shown below. Subject to the purchase limitations described above, each director or executive officer may elect to purchase an amount greater or less than those shown below. For purposes of the following table, we have assumed that sufficient shares will be available to satisfy subscriptions at the minimum and the maximum of the offering range.

Name	Amount (\$)	Number of Shares	Percent of Stock Owned	
			Minimum (%)	Maximum (%)
Directors:				
Linda Walker Bynoe	\$ 750,000	75,000	*	*
Steven L. Groot	2,000,000	200,000	1.3	1.0
Richard A. Hemmings	1,500,000	150,000	1.0	*
James E. Hohmann	6,000,000	600,000	4.0	3.0
James W. Schacht	100,000	10,000	*	*
John A. Fibiger	100,000	10,000	*	*
Executive Officers (who are not also directors):				
James C. Harkensee	3,123,750	312,375	2.1	1.6
Chris S. Kim	900,000	90,000	*	*
John Buchanan	750,000	75,000	*	*
Laura R. Zimmerman	1,000,000	100,000	*	*
Chris Campbell	1,500,000	150,000	1.0	*
All Directors and Executive Officers as a Group				
(11 persons)	\$17,723,750	1,772,375	11.9	8.8
All Directors and Officers as a Group (21 persons)				
	\$18,963,750	1,896,375	12.8	9.4

Limitations on Resales

The common stock issued in this offering will be freely transferable under the Securities Act of 1933. However, the transfer of shares purchased by the directors and officers of Members Mutual pursuant to subscription rights granted to them will be restricted for a period of one year from the effective date of the conversion pursuant to the plan of conversion and Section 59.1(7)(a)(iii) of the Illinois Insurance Code. The directors and executive officers of Vericity also are subject to additional resale restrictions under Rule 144 of the Securities Act of 1933. Shares of common stock issued to directors and officers will bear a legend giving appropriate notice of these restrictions. We will give instructions to the transfer agent for the common stock regarding these transfer restrictions. Any shares issued to the directors and officers of Vericity as a stock dividend, stock split or otherwise with respect to restricted stock will be subject to the same restrictions. Shares acquired by the directors and executive officers after the completion of this offering will be subject to the requirements of Rule 144. See “Management—Directors and Executive Officers.” The shares purchased by the standby purchaser will be restricted securities and subject to trading limitations under applicable law and the standby purchase agreement.

The Appraisal

The plan of conversion requires that the total number of shares of common stock to be issued in this offering must be based on the estimated consolidated pro forma market value of the converted Members Mutual, as determined on the basis of an independent evaluation. This pro forma market value may be that value that is estimated to be necessary to attract full subscription for the shares, as indicated by the independent evaluation, which we refer to as the appraisal.

The plan of conversion requires that the appraisal be made by an independent appraiser experienced in the valuation of insurance companies. In January 2018, we retained Boenning & Scattergood, Inc., or Boenning, to determine the estimated consolidated pro forma market value and corresponding valuation range for this offering. Under our plan of conversion, the valuation range means the range of the value of the total number of shares of common stock to be issued in this offering, based on the estimated consolidated pro forma market value of converted Members Mutual in accordance with Section 59.1(6)(f) of the Illinois Insurance Code. Boenning is engaged regularly in the valuation of insurance companies and other financial institutions. Except for our retention of Boenning in 2013 and 2016 in connection with our evaluation of

completing the conversion at that time, there is no pre-existing relationship between Boenning and Members Mutual. Boenning will be paid a fixed fee of \$150,000 plus out-of-pocket expenses. This fee is not contingent on the completion of the offering. We agreed, among other things, to indemnify Boenning from and against any and all loss or expenses, including reasonable attorney's fees, in connection with its appraisal and other services, except if such loss or expenses are the result of willful misconduct or gross negligence on the part of Boenning.

Boenning made its appraisal in reliance upon the information provided by our management, including the financial statements. Boenning also considered the following factors, among others:

- the present operating results and financial condition of the Company and current economic conditions;
- certain historical, financial and other information relating to the Company;
- a comparative evaluation of the operating and financial statistics of the Company with those of other similarly situated publicly traded insurance companies;
- the aggregate size of the offering of the common stock of Vericity, Inc., determined by Boenning;
- the impact of the conversion offering on our net worth and earnings potential as determined by Boenning;
- the trading market for securities of comparable institutions and general conditions in the market for such securities; and
- the value which Boenning estimates to be necessary to attract a full subscription of our common stock.

In conducting its analysis of Members Mutual, Boenning placed emphasis on various financial and operating characteristics of Members Mutual, including our lines of business and competitive position in the industry, our relative size and premium volume, our lack of profitability in recent years, and our ratio of equity capital to total assets.

Members Mutual's board of directors met with representatives of Boenning on July 31, 2018. Boenning reviewed the appraisal with the board of directors, including the factors considered by Boenning in reaching its conclusion and the assumptions made and the methodology used by Boenning. Boenning's representatives also answered the questions presented by the Board regarding the appraisal.

In preparing the appraisal, Boenning visited the Company's offices in Chicago, IL and Bellevue, WA in connection with a prior appraisal and conducted discussions with our management concerning our business and future prospects. Boenning reviewed and discussed with our management our unaudited GAAP and statutory financial statements for the years ended December 31, 2015, December 31, 2016 and December 31, 2017.

In deriving the estimated consolidated pro forma market value of converted Members Mutual, Boenning utilized the comparative market valuation approach. The comparative market valuation approach estimates a value by reviewing the relevant market pricing characteristics of comparable companies that are publicly traded. Since there are no publicly traded companies that are truly comparable to the Company, Boenning selected a peer group of publicly-traded life and health ("L&H") insurance companies that potentially share similar operating and valuation characteristics with the Company based on a review of selected financial data for L&H insurance companies listed on U.S. stock exchanges as compiled from data obtained from S&P Global Market Intelligence ("Capital IQ" or "SNL Financial"), a leading provider of financial and market data. In general, Boenning considered operating characteristics and marketability and liquidity factors to select the individual members of the Comparable Group from the universe of publicly-traded L&H insurance companies ("Public L&H Insurance Group"). The operating characteristics included financial variables such as profitability, capitalization, growth, risk exposure, liquidity, and other factors such as lines of business and management strategies. Marketability and liquidity factors included the relative ease and promptness with which a security may be sold when desired, the existence of buying interest as well as selling interest, trading volumes, and the spread between the bid and ask price for a security. Boenning's initial screen of the Public L&H Insurance Group produced a list of 22 L&H insurance companies with assets ranging from \$49.0 million to \$832.1 billion and equity ranging from \$2.2 million to \$58.9 billion. Boenning further refined this list to a group of six comparable companies (the "Comparable Group") based on criteria relating to total equity size, level of life premiums to total premiums written, operating performance issues and target market segment. While none of the companies in the Comparable Group is a perfectly comparable company from a valuation standpoint, Boenning determined that the Comparable Group on the whole provided a meaningful basis of financial comparison for its valuation purposes.

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The following table sets forth the publicly traded insurance companies used by Boenning in its comparative market valuation approach and certain financial data reviewed by Boenning regarding these companies and Members Mutual as of or for the year ended December 31, 2017 (unless otherwise noted).

Operating Performance of the Comparable Group											
Company Name	Ticker	Total Policy Income (\$000)	Total Revenue (\$000)	Policy Income/Equity (%)	Net Income (\$000)	Inv. Yield (%)	ROAA (%)	ROAE (%)	3 Year Average		Net Margin (%)
Torchmark Corporation	TMK	3,282,935	4,155,573	52.68	1,454,494	5.13	6.46	28.57	3.88	17.39	35.00
Primerica, Inc.	PRI	961,338	1,689,102	67.74	350,255	2.90	2.93	27.38	2.23	20.54	20.74
FBL Financial Group, Inc.	FFG	308,683	735,478	22.23	194,355	4.96	1.98	15.55	1.45	11.29	26.43
Kansas City Life Insurance Company	KCLI	293,953	450,702	39.88	51,541	4.28	1.15	7.34	0.76	4.85	11.44
Security National Financial Corporation	SNFCA	70,412	276,925	47.39	14,113	4.94	1.44	10.22	1.59	10.99	5.10
UTG, Inc.	UTGN	7,457	28,734	6.75	4,813	5.82	1.19	4.94	0.62	2.66	16.75
Group Aggregate											
Comparable Group Mean		820,796	1,222,752	39.45	344,929	4.67	2.53	15.67	1.76	11.29	19.24
Comparable Group Median		301,318	593,090	43.64	122,948	4.95	1.71	12.88	1.52	11.14	18.74
MMHC		82,873	115,870	42.24	(8,241)	3.85	(1.25)	(4.13)	(1.59)	(5.03)	(7.11)

Source: SNL Financial and company financial statements

The Company's total revenue of \$115.9 million for the year ended December 31, 2017 was within the range of the Comparable Group, but materially below the Comparable Group's mean and median total revenue of \$1.2 billion and \$593.1 million, respectively. All of the companies in the Comparable Group had positive return on average assets ("ROAA") and return on average equity ("ROAE") for the year ended December 31, 2017, and all of the companies in the Comparable Group had positive ROAA and ROAE over a three year average. Members Mutual generated losses over the year ended December 31, 2017, with ROAA and ROAE that were both negative at (1.25%) and (4.13%). Members Mutual's ROAA and ROAE compared unfavorably to the Comparable Group during the last three years, as the Company generated negative returns whereas the Comparable Group medians were meaningfully positive. The Company's total policy income of \$82.9 million for the year ended December 31, 2017 was in the lower half of the range of the Comparable Group. The Comparable Group's mean and median total policy income was \$820.8 million and \$301.3 million, respectively. Additionally, Members Mutual had an investment yield of 3.85%, which was lower than the Comparable Group's median of 4.95%. Members Mutual's net margin of (7.11%) was also lower than the Comparable Group's mean of 19.24% and median of 18.74%.

The following tables compares the Company with the Comparable Group in regard to selected ratios commonly used as life insurance industry metrics.

Ratio Analysis of the Comparable Group As of and for Fiscal Period Ended 12/31/2017 Unless Otherwise Noted									
		Lapse & Surrender Ratio (%)	Benefit Ratio (%)	Expense Ratio (%)	Commission Ratio (%)	Surplus Notes/ C&S (%)	Dividend Payout Ratio (%)	Fixed Maturities/ Total Investments (%)	Effective Tax Rate (%)
Torchmark Corporation	TMK	21.02	43.31	16.30	29.41	4.18	4.91	95.69	(75.56)
Primerica, Inc.	PRI	8.85	11.05	62.49	106.14	0.00	10.25	97.31	7.71
FBL Financial Group, Inc.	FFG	5.10	43.82	15.09	9.61	0.00	42.06	83.33	(28.62)
Kansas City Life Insurance Company	KCLI	5.64	84.08	20.46	13.21	0.00	20.30	72.20	(75.49)
Security National Financial Corporation	SNFCA	10.01	55.41	22.10	24.87	46.92	0.00	36.49	(87.37)
UTG, Inc.	UTGN	3.28	232.19	137.80	3.28	0.00	0.00	53.49	(45.58)
Group Aggregate									
Comparable Group Mean		8.98	78.31	45.71	31.09	8.52	12.92	73.08	(50.82)
Comparable Group Median		7.24	49.61	21.28	19.04	0.00	7.58	77.76	(60.54)
MMHC		11.82	43.83	53.37	60.12	0.00	687.60	85.91	NM

Source: SNL Financial and Company financial statements

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The Company's benefit ratio for the fiscal period ended December 31, 2017 of 43.8% was lower than the Comparable Group's median benefit ratio of 49.6% and below (more favorable than) the Comparable Group's mean of 78.3%. The benefit ratio includes death benefits, matured endowments, annuity benefits, accident & health benefits, guarantees, group conversions, and life contingent contract pay as a percent of premiums, annuity considerations and considerations for supplementary contracts with life contingencies. Members Mutual's expense ratio was 53.4% for the fiscal period ended December 31, 2017, which was within the range, but above ("worse than") than the median of 21.3% of the Comparable Group. The fiscal period ended December 31, 2017 commission ratio for Members Mutual was 60.1%, which is markedly higher (less favorable) than the Comparable Group's mean and median.

The following table summarizes certain key financial comparisons between the Company and the Comparable Group, based on Members Mutual's fiscal year ended December 31, 2017 financials.

Financial Condition of the Comparable Group As of 12/31/2017 Unless Otherwise Noted											
Company	Ticker	Total Assets (\$000)	Total Policy Reserves (\$000)	Total Equity (\$000)	Tangible Equity (\$000)	Cash and Investments (\$000)	Cash & Investments/ Policy Reserves (%)	Cash and Investments / Assets (%)	Policy Reserves / Equity (x)	Total Equity / Assets (%)	Tangible Equity / Assets (%)
Torchmark Corporation	TMK	23,474,985	13,931,831	6,231,421	5,789,830	17,853,047	128.15	76.05	2.24	26.54	24.66
Primerica, Inc.	PRI	12,460,703	6,640,409	1,419,101	1,367,588	3,025,105	45.56	24.28	4.68	11.39	10.98
FBL Financial Group, Inc.	FFG	10,066,613	7,684,593	1,388,850	1,378,911	8,803,179	114.56	87.45	5.53	13.80	13.70
Kansas City Life Insurance Company	KCLI	4,530,670	3,213,903	737,155	737,155	3,520,893	109.55	77.71	4.36	16.27	16.27
Security National Financial Corporation	SNFCA	982,173	608,969	148,568	145,802	671,157	110.21	68.33	4.10	15.13	14.84
UTG, Inc.	UTGN	406,445	278,257	110,432	110,432	359,220	129.10	88.38	2.52	27.17	27.17
Group Aggregate											
Comparable Group Mean		8,653,598	5,392,994	1,672,588	1,588,286	5,705,434	106.19	70.37	3.90	18.38	17.94
Comparable Group Median		7,298,642	4,927,156	1,063,003	1,052,372	3,272,999	112.38	76.88	4.23	15.70	15.56
MMHC		666,414	437,692	196,203	194,323	404,826	92.49	60.75	2.23	29.44	29.16

Source: SNL Financial and Company financial statements

Members Mutual's cash and investments of \$404.8 million at December 31, 2017 were well below the Comparable Group's mean and median of \$5.7 billion and \$3.3 billion, respectively. The Company's total assets of \$666.4 million at December 31, 2017 were significantly below both the Comparable Group's mean of \$8.7 billion, and median of \$7.3 billion. The Company's total equity of \$196.2 million at December 31, 2017 was within the range of the Comparable Group, but significantly below the Comparable Group's mean and median total equity of \$1.7 billion and \$1.1 billion, respectively. The Company's tangible equity was \$194.3 million at December 31, 2017, which was below the mean and median of the Comparable Group at \$1.5 billion and \$1.1 billion, respectively. The Company's ratios of total equity to total assets and tangible equity to total assets were 29.4% and 29.2%, respectively, at December 31, 2017. These ratios significantly exceed the mean and median of the Comparable Group.

The following table sets forth certain market valuation data for the publicly traded insurance companies comprising the Comparable Group used by Boenning based on closing market prices as of April 11, 2018.

Trading Performance of Comparable Group									
Comparable Group	Closing Price (\$)	Market Value \$MM	Price/Book (%)	Price/Tangible Book (%)	Price/LTM EPS (x)	Price/LTM Revenue (x)	Price/Total Assets (%)	Total Equity/Total Assets (%)	Current Dividend Yield (%)
Torchmark Corporation	83.42	9,497.5	153.41	165.11	6.83	2.25	40.86	25.11	0.76
Primerica, Inc.	96.55	4,254.4	301.07	312.41	12.69	2.44	34.05	11.42	1.04
FBL Financial Group, Inc.	70.85	1,759.8	127.46	128.38	9.14	2.39	17.51	12.59	2.65
Kansas City Life Insurance Company	43.00	416.4	56.49	56.49	8.08	0.93	9.31	15.73	2.40
Security National Financial Corporation	5.38	86.7	58.22	59.32	6.18	0.31	8.83	15.13	0.00
UTG, Inc.	25.00	83.1	76.08	76.08	17.36	2.88	20.39	27.17	0.00

Source: SNL Financial.

Boenning reviewed the trading market price ratios of the Comparable Group for the purpose of developing valuation ratio benchmarks to reach an estimate of value for converted Members Mutual. The principal valuation measure considered by Boenning was the price-to-book value ratio. Boenning also considered the price-to-revenue, the price-to-earnings and price-to-assets ratios. Based on the quantitative and qualitative comparisons with the selected group of publicly traded companies, Boenning applied adjusted market pricing ratios to our pro forma financial data to determine our estimated consolidated pro forma market value. The market pricing ratios determined by Boenning took into account market value adjustments for our size, our earnings prospects, our management, liquidity of our shares of common stock, subscription interest, stock market conditions, dividend outlook and the new issue discount warranted for an equity securities offering.

Boenning determined that the price-to-earnings ratio was not applicable due to our lack of profitability historically and in the most recent reporting periods. Boenning believes price-to-book value is the primary determinant of an investor's interest in a subscription rights conversion of an insurance company. Thus, the price-to-book value ratio takes on additional meaning as a valuation metric. Based on its comparative analyses, Boenning determined that a discount range of approximately 50% to 60% relative to the comparative group based on the price-to-book value ratio is warranted. In Boenning's opinion, these levels of discounts based on the previously discussed market value adjustments for size, earnings prospects, management, liquidity of the issue, subscription interest, stock market conditions, dividend outlook and the new issue discount are reasonable and appropriate for determining the estimated consolidated pro forma market value relative to the Comparable Group's trading ratios.

Boenning's appraisal of our estimated consolidated pro forma market value was prepared as of April 11, 2018. Boenning has agreed to update its appraisal as may be requested by us. These updates will consider developments in general stock market conditions, current stock market valuations for selected insurance companies, the results of the subscription offering, and the recent financial condition and operating performance of Members Mutual.

On the basis of the foregoing, Boenning provided its report, dated April 11, 2018, that the estimated consolidated pro forma market value of converted Members Mutual is \$175,000,000, representing a pro forma price-to-book ratio of 51% and the value of the range of the total number of shares of common stock to be issued in the offering is between \$148,750,000 and \$201,250,000. We determined that the common stock should be sold at \$10.00 per share, resulting in a range of 14,875,000 to 20,125,000 shares of common stock being offered in this offering.

If, based on subsequent developments in our financial condition or market conditions generally, the offering range is updated to amend the pro forma market value of converted Members Mutual, we may cancel the offering, extend the offering period and establish a new offering range, hold a new offering or take any other action we deem necessary or advisable, subject to making or obtaining any required regulatory filings or approvals, as applicable.

The appraisal report of Boenning is an exhibit to the registration statement of which this prospectus is a part and is available for inspection in the manner set forth under "Additional Information."

The Illinois Director of Insurance is required to review and approve the plan of conversion, including the appraisal prepared by Boenning in connection with this offering.

The preceding summary of the appraisal report summarizes the material analyses performed by Boenning, but is not a complete description of all the analyses underlying Boenning's appraisal. The summary includes information presented in tabular and text format. In order to fully understand the financial analyses, the tables must be read together with the accompanying text and the entire appraisal report. These tables alone do not constitute a complete description of the financial analyses performed by Boenning. The preceding summary is qualified in its entirety by the full appraisal report. Copies of the appraisal report are on file and available for inspection at our principal executive offices. Any subsequent updated appraisal report of Boenning will be available for inspection.

The appraisal is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing common stock. In preparing the appraisal, Boenning & Scattergood, Inc. relied upon and assumed the accuracy and completeness of financial, statistical and other information provided to it by Members Mutual. Boenning & Scattergood, Inc. did not independently verify the financial statements and other information provided to it by Members Mutual, nor did Boenning & Scattergood, Inc. value independently our assets and liabilities. The appraisal considers Members Mutual only as a going concern and should not be considered as an indication of our liquidation value. The appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time. We cannot assure you that persons purchasing common stock will be able to sell such shares at or above the initial purchase price.

FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a general discussion of certain material United States federal income tax considerations with respect to:

- Members Mutual upon the conversion of Members Mutual from a mutual holding company to a stock holding company; and
- eligible members that are U.S. Persons that hold their membership interests in Members Mutual as a capital asset within the meaning of Section 1221 of the Code, of the receipt, exercise, and expiration of subscription rights to purchase shares of the common stock of Vericity (which we refer to as our common stock) in the subscription offering.

The following discussion is based, primarily, on private letter rulings that have been issued by the IRS to certain corporations unrelated to Vericity that have engaged in transactions that are analogous to the conversion. Under the Code, private letter rulings are directed only to the taxpayer that requested the rulings and they may not be used or cited as precedent by other taxpayers. Additionally, aspects of this discussion were prepared, in part, by reference to current provisions of the Code, Treasury Regulations, administrative rulings, and court decisions, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. No ruling has been or will be requested from the IRS regarding any matter discussed herein. Accordingly, no assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any part of this discussion.

The following discussion is directed solely to eligible members of Members Mutual that are U.S. Persons and hold membership interests related to a qualifying policy as a capital asset within the meaning of Section 1221 of the Code. This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to a U.S. Person in light of its particular circumstances or that may apply to a U.S. Person subject to special treatment under the U.S. federal income tax laws (including, for example, banks or other financial institutions, mutual funds, certain expatriates, dealers or brokers in securities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, insurance companies, controlled foreign corporations, passive foreign investment companies, tax-exempt organizations, governmental agencies or instrumentalities, entities or arrangements treated as partnerships for U.S. federal income tax purposes, subchapter S corporations, or other pass-through entities (or investors in such partnerships, subchapter S corporations, or other pass-through entities), retirement plans, individual retirement accounts or other tax-deferred accounts, real estate investment trusts, regulated investment companies, holders subject to the alternative minimum tax, U.S. holders that have a “functional currency” other than the U.S. dollar, or tax-exempt organizations). This discussion does not address state, local, non-U.S., and U.S. federal non-income tax consequences of the proposed transactions.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds membership interests related to a qualifying policy, the tax treatment of a person treated as a partner in such partnership will generally depend on the status of the partner, the activities of the partnership, and certain determinations made at the partnership level. If you are, for U.S. federal income tax purposes, a partner of a partnership that holds membership interests related to a qualifying policy, you should consult your tax advisor.

For purposes of this discussion, the term “U.S. Person” means (a) a citizen or resident of the United States, (b) a corporation, or entity treated as corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, or (d) a trust which (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. Person.

This discussion does not constitute tax advice and is not intended to be a substitute for careful tax planning. Each eligible member is urged to consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. income and other tax consequences of the receipt, exercise, and expiration of subscription rights to purchase shares of our common stock in the subscription offering. Each prospective purchaser of shares of our common stock is urged to consult its own tax advisor with respect to the U.S. federal, state, local, and non-U.S. income and other tax consequences of the acquisition, ownership, and disposition of shares of our common stock purchased pursuant to this offering.

The Conversion

For federal income tax purposes:

- the conversion of Members Mutual from a mutual holding company to a stock holding company should constitute a reorganization within the meaning of Section 368(a)(1) of the Code;
- Members Mutual in its post-conversion stock form should constitute the same taxable entity as Members Mutual in its pre-conversion mutual insurance company form;
- neither Members Mutual in its pre-conversion mutual insurance company form nor Members Mutual in its post-conversion stock form should recognize gain or loss as a result of the conversion; and
- the tax attributes of Members Mutual in its pre-conversion mutual insurance company form should remain unchanged as tax attributes of Members Mutual in its post-conversion stock form (thus, Members Mutual's basis in its assets, holding period for its assets, net operating loss carryovers, if any, capital loss carryovers, if any, earnings and profits and accounting methods will not be changed by reason of the conversion).

Tax Consequences of Subscription Rights to Eligible Members

The federal income tax consequences of the receipt, exercise, and expiration of subscription rights are uncertain. They present novel issues of tax law that are not adequately addressed by any direct authorities. Nevertheless, we believe that for U.S. federal income tax purposes:

- Eligible members should be treated as transferring their membership interests in Members Mutual to Vericity in exchange for subscription rights to purchase Vericity common stock.
- Any gain realized by an eligible member as a result of the receipt of a subscription right with a fair market value should be recognized, whether or not such right is exercised.
- The amount of gain that should be recognized by an eligible member as a result of the receipt of a subscription right should equal the amount by which the fair market value of such subscription right exceeds such eligible member's basis, if any, in the exchanged membership interest.
- The tax basis of any subscription right to an eligible member should be equal to the amount of gain recognized by an eligible member in respect of such subscription right.
- Any gain recognized by an eligible member as a result of the receipt of a subscription right with a fair market value should constitute a capital gain, which should be long term capital gain if the eligible member has held its membership interest for more than one year.
- If an eligible member is required to recognize gain on the receipt of a subscription right and does not exercise such subscription right, (i) the eligible member should recognize a corresponding loss upon the expiration or lapse of such member's unexercised subscription right, (ii) the amount of that loss should equal the gain previously recognized upon receipt of the unexercised subscription right, and (iii) if the common stock that an eligible member would have received upon exercise of the lapsed subscription right would have constituted a capital asset in the hands of that eligible member, the resulting loss upon expiration of the subscription right should constitute a capital loss (and in all likelihood, a short-term loss).

Tax Basis in Membership Interests. The IRS has traditionally asserted that the basis of a taxpayer, such as an eligible member, in its membership interest in a mutual company such as Members Mutual equals zero. The general view of the IRS in this regard is that the payment by a policyholder of a mutual insurance company of the premiums called for by the underlying insurance policy represents payment for the cost of insurance, rather than for the membership interest aspect of the policyholder's interest. As a result, the policyholder's basis in the membership interest is deemed to be zero.

We call to your attention, however, that there is a conflict among the courts as to whether a policyholder has a tax basis in membership rights that gets transferred to shares of stock received by the policyholder in the course of a demutualization of an insurance company. In Fisher v. United States, 82 Fed. Cl. 780 (Fed. Cl. 2008), *aff'd* 333 Fed. Appx. 572 (Fed. Cir. 2009), the United States Court of Federal Claims held that a policyholder of a mutual insurance company that, in the course of a demutualization that constituted a reorganization under the Code, (a) exchanged its membership interest in the insurer for shares of the common stock of a new holding company and (b) later sold such shares, did not realize any income for federal income tax purposes on the sale of such shares, because the amount realized by the policyholder on such sale was less than the policyholder's cost basis in its insurance policy as a whole. The opinion in the Fisher case is contrary to the long-

standing published position of the IRS that the basis of stock received by a policyholder in the course of a mutual insurance company's demutualization in a series of transactions that constitute a reorganization within the meaning of Section 368(a) of the Code is zero. The Fisher decision is also based upon facts that may be peculiar to that case. The Ninth Circuit Court of Appeals in the case of Dorrance v. United States, 808 F.3d 479 (9th Cir. 2015), ruled that a taxpayer owning insurance policies in a mutual insurance company had a zero tax basis in the attendant membership rights which accompanied such policy ownership, affirming the position of the IRS. The Ninth Circuit in Dorrance overturned a taxpayer-friendly district court decision, which had held that the basis in the underlying policies should be equitably apportioned between the insurance aspect of the policy and the membership interest aspect of such policy. In addition, another case which had held that a portion of the taxpayer's premium payments should not be allocated to shares received in a demutualization was affirmed on appeal. Reuben v. United States, 111 AFTR 2d 2013-620 (C.D. Cal. 2013), *aff'd*, 117 AFTR 2d 2016-333 (9th Cir. 2016). The IRS also expressed its disagreement with the holding of Fisher. Info. Letters, IRS INFO 2011-0054 (June 24, 2011) ("The IRS does not agree with Fisher. The IRS view is that a taxpayer realizes income to the extent that the stock sales proceeds exceed the taxpayer's payments (cost basis), if any, for the equity interest. The taxpayer has the burden of proving the amount paid for the equity interest. Because the IRS disagrees with the Fisher holding, the IRS will continue to litigate the issue.").

The legal precedents regarding whether a policyholder has a tax basis in membership rights are complex and conflicting, and may depend upon the facts applicable to the particular situation. Furthermore, the plan of conversion and the law considered by the courts in the above cases are potentially distinguishable from Members Mutual's plan of conversion and the corresponding law of Illinois. Nevertheless, if the principles articulated by the court in Fisher, rather than those articulated by the court in Dorrance (and traditionally by the IRS), were determined to be applicable to the subscription offering, an eligible member could have a tax basis in its membership rights from premium payments made by the eligible member, and that tax basis would (a) reduce any gain attributable to the fair market value of the subscription rights received by the eligible member, and (b) be added to the basis of the shares of our common stock purchased by an eligible member pursuant to the exercise of subscription rights.

Eligible members should consult with their tax advisors regarding their ability to reflect a basis in their membership interests in calculating the amount of their gain or loss on the exchange of such interests for the subscription rights hereunder.

Value of Subscription Rights. Boenning & Scattergood, Inc. has advised us that it believes the subscription rights will not have any fair market value. Boenning & Scattergood, Inc. has noted that the subscription rights will be granted at no cost, will be nontransferable, nonnegotiable and of short duration, and will provide the recipient with the right only to purchase shares of our common stock at a price that is equal to the estimated pro forma market value of the Company, which will be the same price at which any unsubscribed shares will be sold to the standby purchaser. Boenning & Scattergood, Inc. cannot assure us, however, that the Internal Revenue Service will not challenge Boenning & Scattergood, Inc.'s determination or that such challenge, if made, would not be successful. If the subscription rights do have value, we note that there also exists uncertainty regarding the determination of the number of subscription rights deemed issued to each eligible member because such calculation depends on the number of eligible members who ultimately exercise subscription rights, how many subscription rights each eligible member exercises and how much the eligible members' subscription rights may be cut back in the event of an oversubscription. Eligible members are encouraged to consult with their tax advisors about the U.S. federal, state, local and non-U.S. income and other tax consequences of the receipt, exercise, and lapse of subscription rights to purchase shares of our common stock in the subscription offering.

Basis and Holding Period of Stock Acquired through Exercise of a Subscription Right. The adjusted tax basis of a share of our common stock purchased by an eligible member pursuant to the exercise of a subscription right will equal the sum of the amount of cash paid for such share plus the basis, if any, of the subscription right that is exercised to purchase such share, taking into account the income and gain, if any, recognized by such eligible member on the receipt of such subscription right. The holding period of a share of our common stock purchased by an eligible member through the exercise of a subscription right will begin on the date on which the subscription right is exercised.

Tax Consequences of Subscription Rights to Directors and Officers

We believe, and intend to take the position, that the grant of subscription rights to the directors and officers of Members Mutual does not constitute a taxable event for the recipients of such rights. Instead, we believe that the grant of such rights should be treated as the grant of an option to acquire our common stock pursuant to Section 83 of the Code, and that such option should not be treated as having a "readily ascertainable fair market value" within the meaning of this provision. As such, directors and officers of Members Mutual that are entitled to subscription rights should be treated as

realizing income upon the exercise of such rights, in an amount equal to the excess of the value of our shares received upon such exercise over the purchase price for such shares. Any income so realized should be treated as compensation income for federal income tax purposes and potentially subject to the withholding and reporting rules applicable to compensation income. Directors and officers of Members Mutual should consult with their tax advisors with respect to the potential tax consequences to them of the receipt and exercise or lapse of subscription rights based on their particular circumstances.

DUE TO THE INDIVIDUAL AND SOMETIMES UNCERTAIN NATURE OF THE FEDERAL INCOME TAX CONSEQUENCES ASSOCIATED WITH THE RECEIPT, EXERCISE, AND EXPIRATION OF THE SUBSCRIPTION RIGHTS HEREUNDER, EACH ELIGIBLE MEMBER AND EACH DIRECTOR AND OFFICER OF MEMBERS MUTUAL IN THIS OFFERING IS URGED TO CONSULT HIS OR HER TAX AND FINANCIAL ADVISOR REGARDING SUCH TAX CONSEQUENCES, AS WELL AS ANY STATE, LOCAL, OR OTHER NON-FEDERAL TAX CONSEQUENCES.

MANAGEMENT

Directors, Director Nominees and Executive Officers

The table below provides information about the directors, director nominees and executive officers of Vericity as of the closing of this offering.

<u>Name</u>	<u>Age</u>	<u>Position</u>
James E. Hohmann	63	Director, Chief Executive Officer, and President
James C. Harkensee	60	President and Chief Operating Officer of Fidelity Life
Chris S. Kim	47	Executive Vice President, Chief Financial Officer and Treasurer
John Buchanan	48	Executive Vice President, General Counsel and Corporate Secretary
Chris Campbell	48	President and Chief Operating Officer of Efinancial
Laura R. Zimmerman	60	Executive Vice President and Chief Marketing Officer
Eric Rahe	50	Director and Chairman Nominee
Calvin Dong	31	Director Nominee
Scott Perry	56	Director Nominee
Neil Ashe	51	Director Nominee
Richard A. Hemmings	72	Director
James W. Schacht	77	Director

Directors

We believe our board of directors should be composed of individuals with sophistication and experience in many substantive areas that impact our business. In this regard, we believe experience, qualifications or skills in the following areas are the most important: the life insurance industry; insurance company operations; legal/regulatory matters relating to life insurance companies; marketing; direct distribution and technology. We seek to select individuals who possess the personal and professional qualifications necessary for service on our board.

The following persons currently serve as members of our board of directors and have been designated by Members Mutual pursuant to the terms of the standby purchase agreement to serve as directors of Vericity following the completion of the offerings until the 2020 annual meeting of stockholders of Vericity. See “—Corporate Governance—Overview of Our Board Structure.”

Richard A. Hemmings has served as the Chairman of the board of directors of Members Mutual since its formation in 2007. From 2007 until 2014, Mr. Hemmings also served as the President and Chief Executive Officer of Members Mutual. Mr. Hemmings also served as the Chairman of the board of directors, Chief Executive Officer (and prior to 2012, President) of Fidelity Life, positions held by him from 2005 to 2014. Mr. Hemmings became a director of Fidelity Life in 2002. Mr. Hemmings was elected to the board of directors of Vericity in 2013. Prior to joining Fidelity Life in 2005, Mr. Hemmings was a partner in the Chicago law firm of Lord, Bissell & Brook LLP and was associated with the firm for 25 years. Mr. Hemmings also serves on the board of Brighthouse Life Insurance Company of New York, a position he has held for over 20 years. Fidelity Life does not do business in the State of New York, and Brighthouse Life Insurance Company of New York conducts its insurance business only in the State of New York.

Mr. Hemmings was selected to serve on our board of directors because of his experience in the life insurance industry; his knowledge of the legal and regulatory matters affecting our operations; and his executive experience with Members Mutual and Fidelity Life.

James E. Hohmann has served as a director, President, and Chief Executive Officer of Members Mutual, and as a director and Chief Executive Officer of Vericity since September 2014. For approximately two years prior thereto, Mr. Hohmann worked as a private consultant in the life insurance industry, including providing consulting services for Members Mutual. From April 2009 until June 2012, Mr. Hohmann served as a director, President, and Chief Executive Officer of FBL Financial Group, an individual life insurance and annuity products company. From January 2007 until January 2009, Mr. Hohmann was an executive officer of Allstate Corporation with accountabilities as President and Chief Executive Officer of Allstate Financial. From December 2004 until December 2006, Mr. Hohmann was President and Chief Operating Officer of Conseco, Inc. Earlier, he served as President and CEO of a newly formed XL Life and Annuity business at XL Capital, was Chief Actuary and then President of the Financial Institutions business of Zurich (Kemper), and worked for nearly 13 years as a management consultant, first for KPMG Peat Marwick, followed by Tillinghast/Towers Perrin (now Willis Towers Watson) where he was Managing Principal of the Chicago Life Practice.

Mr. Hohmann is a former member of the Board of Directors of American Council of Life Insurers and the Board of Governors for the Property Casualty Insurance Association of America. He also currently serves on the Board of Directors of Bankers Trust (non-public) and is Chairman – Elect of MIB Group Inc., a life insurance industry membership organization. He is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Mr. Hohmann was selected to serve on our board of directors because of his executive leadership experience, his expertise in insurance and financial services, and his actuarial background.

James W. Schacht has served as the President of The Schacht Group, Inc., which advises national and international clients with respect to insurance and regulatory matters, since its founding in 2008. Prior thereto, Mr. Schacht was for thirteen years a Managing Director at two international consulting firms. Mr. Schacht has over 45 years of broad-based experience in the insurance industry and all areas of insurance regulation. Mr. Schacht has served as an expert consultant and witness on a variety of insurance, reinsurance, and regulatory issues in litigation, and advises clients on new insurance products, organizing insurance companies, financial and reporting requirements, and securing regulatory approval for a variety of transactions. Mr. Schacht served as the Director of the Illinois Department of Insurance on three occasions. Mr. Schacht has served on the board of directors of Members Mutual since 2007. Mr. Schacht was elected to the board of directors of Vericity in 2013.

Mr. Schacht was selected to serve on our board of directors because of his experience in the insurance industry and his knowledge of legal and regulatory matters affecting our operations.

Director Nominees

The following persons have been designated by the standby purchaser pursuant to the terms of the standby purchase agreement to serve as directors of Vericity following the completion of the offerings until the 2020 annual meeting of stockholders of Vericity. See “—Corporate Governance —Overview of Our Board Structure.”

Eric Rahe has served as a Managing Director of J.C. Flowers & Co. LLC since 2014, and serves as a member of the firm’s Management Committee. From 2008 to 2014, Mr. Rahe was a Managing Director at Clayton, Dubilier & Rice where he established and led the firm’s financial services practice. Previously, he was a senior investment professional at the hedge fund SAB Capital, and before that a Partner at Capital Z Partners, the financial services focused private equity firm. Mr. Rahe began his career at Donaldson, Lufkin & Jenrette. Mr. Rahe serves on the Boards of Directors of AmeriLife Group Holdings and ELMC Group, LLC.

He received an A.B. in Economics from Harvard College, where he graduated magna cum laude, and an M.B.A. from Harvard Business School.

Mr. Rahe has been nominated to serve on our board of directors because of his experience in the insurance and financial services industries. Mr. Rahe has been investing in the insurance industry for over 25 years and has served on the board of directors of a number of insurance companies.

Calvin Dong is a Senior Associate at J.C. Flowers & Co. LLC, where he has been employed since 2013. Prior to joining J.C. Flowers & Co. LLC, Mr. Dong was a member of the Financial Institutions Group at Barclays Investment Bank in New York for three years, focusing on mergers and acquisitions and capital raising transactions in the insurance sector.

Mr. Dong received a B.S. (Honors) in Finance and Accounting with High Distinction from the Kelley School of Business, Indiana University.

Mr. Dong has been nominated to serve on our board of directors because of his experience in the insurance and financial services industries. Mr. Dong has over 8 years of experience as an investor and banker to the life insurance industry.

Scott Perry joined AmeriLife Group Holdings as CEO in December 2016. AmeriLife is a distributor of annuity, life, and health insurance products and is a portfolio company of a fund advised by J.C. Flowers & Co. LLC. He was previously the Chief Business Officer of CNO Financial Group, Inc., (formerly, Consecro, Inc.), where he oversaw the operations of Bankers Life, Colonial Penn and Washington National, from 2009 until 2016. Prior to that, Mr. Perry served as the President of Bankers Life from 2002 until 2009. Before joining Bankers Life, Mr. Perry worked for 12 years in sales, marketing, and management roles at Golden Rule, Anthem Blue Cross Blue Shield, Premiera Blue Cross. Earlier in his career, he advised healthcare payers and providers on strategies to improve operational and financial performance with the Deloitte & Touche Integrated Health Care Group.

Mr. Perry has served on the boards of LL Global (LIMRA) and the American College. He also served as a board member and Chair of the Greater Illinois chapter of the Alzheimer's Association.

Mr. Perry has been nominated to serve on our board of directors because of his experience in the insurance industry. Mr. Perry has over 28 years of experience in the life insurance industry. As former President of Bankers Life, Chief Business Officer of CNO and CEO of Amerilife, he brings particular expertise in the distribution of a wide variety of life and health products across various distribution channels.

Neil Ashe is the CEO of Faster Horses LLC, which invests in, operates and advises companies that are embracing the power of digital to grow and change their businesses. Mr. Ashe has served in this position since 2017. From 2012 to 2017, Mr. Ashe was the president and CEO of Global eCommerce and Technology for Wal-Mart Stores, Inc. Mr. Ashe was with CNET Networks (NASDAQ: CNET) from 2002 to 2008, having been appointed as CEO in 2006, and, subsequently, the President of CBS Interactive from 2008 until 2011, following the sale of CNET to CBS. He has served on the boards of directors of numerous companies, including CNET and AMC Networks (NASDAQ: AMCX), and was a member of the Georgetown University Board of Regents.

Mr. Ashe has an M.B.A. from the Harvard Business School and a B.S. in Business Administration from Georgetown University.

Mr. Ashe has been nominated to serve on our board of directors because of his experience helping companies use and adopt technology to grow their businesses. Through his experience running several leading internet businesses, Mr. Ashe brings a breadth of experience that will be germane to the Company's internet agency, Efinancial.

Executive Officers

Set forth below is biographical information for our executive officers (except for Mr. Hohmann, whose biographical information is set forth above):

James C. Harkensee has served as President and Chief Operating Officer of Fidelity Life since November 2012. From July 1, 2013 to August 4, 2014, Mr. Harkensee served as Interim Chief Financial Officer of Members Mutual. Prior to that, Mr. Harkensee served in various capacities at Fidelity Life, including most recently as Vice President of Product and Corporate Development and prior to that as President of America Direct Insurance Agency, Inc., a subsidiary of Fidelity Life, which he joined in 2005. He was formerly President of Zurich Direct, a direct marketing insurance agency. Mr. Harkensee began his career at Bankers Life & Casualty in 1980, later joining Zurich Life, where he was promoted to Chief Actuary. He is a Fellow of the Society of Actuaries.

Chris S. Kim has served as Chief Financial Officer of Vericity and Members Mutual since August 2014. Prior thereto, Mr. Kim served as Chief Accounting Officer of Members Mutual since June 2013. Mr. Kim has over twenty years of experience in public accounting and controllership with a focus on property and casualty and life insurers. He has extensive experience in advising public companies on accounting and financial reporting matters related to capital raising activities and advising clients on complex accounting matters. Prior to joining Members Mutual, he was employed by PricewaterhouseCoopers LLC for a total of seventeen years within the audit and transaction services practice in Kansas City, Chicago, and New York, from 1995-2002 and again from 2004-2013. From 2002-2004, Mr. Kim held the position of Assistant Controller with Employers Reinsurance Corporation, a subsidiary of GE Capital.

John Buchanan has served as Executive Vice President, General Counsel and Corporate Secretary of Vericity and Members Mutual since February 19, 2016. Prior thereto, from 1995 to February 2016, Mr. Buchanan served in various legal roles during a twenty year career at Allstate Insurance Company most recently as Chief Counsel supporting Allstate's agency operations from July 2014 to February 2016, and prior to that as Corporate Counsel supporting direct sales from July 2009 until July 2014. Among other positions at Allstate, Mr. Buchanan led several legal teams within Allstate's P&C and life insurance operations, including acting as lead counsel for Allstate Life of New York. He also served as lead counsel to Allstate's Chief Marketing Officer and Lead Counsel to Allstate's Eastern Region President. Mr. Buchanan served as Secretary on NJ Life and Health Guaranty Fund boards. Mr. Buchanan began his career as a trial attorney with dozens of jury and bench trials on insurance matters.

Chris Campbell has served as President and Chief Operating Officer of Efinancial since July 2017. Mr. Campbell has over 25 years of experience in the insurance industry. Prior to joining Efinancial, he served in various roles at CNO Financial from 2010 to 2017, most recently as SVP Marketing and Communications from 2013 to 2017, where he led initiatives that

improved productivity and increased ROI, including the company's transformation from print to digital marketing. He also previously served as Director of Strategy and Business Development at Allstate Financial. He began his career in management consulting, where he developed competitive and growth strategies for Fortune 1000 firms.

Laura R. Zimmerman has served as Executive Vice President and Chief Marketing Officer of Vericity and Members Mutual since February 2016. Prior thereto, Ms. Zimmerman served as Vice President, Chief Marketing Officer, Group Worksite, at The Guardian Life Insurance Company of America from July 2014 to February 2016, where she led marketing and enrollment services for the employee benefits division. Prior thereto, Ms. Zimmerman served as the Managing Director at Bridgestar Solutions, LLC from July 2013 to June 2014. Prior thereto, Ms. Zimmerman served as Senior Vice President for Aon Hewitt from November 2011 to June 2012, where she led marketing and advertising strategy. Before joining Aon Hewitt, Ms. Zimmerman served as Managing Director, Head of Marketing and Product at Legg Mason Global Asset Management from June 2010 to June 2011. Prior thereto, Ms. Zimmerman served in various positions during a thirteen year career at Allstate Insurance Company. Among other positions at Allstate, Ms. Zimmerman served as Chief Strategy Officer for Allstate's financial services division.

Corporate Governance

Overview of Our Board Structure

If the eligible members and the directors and officers of Members Mutual do not collectively purchase in the subscription offering a majority of the shares offered at the minimum of the offering range, the standby purchaser will be obligated to purchase a number of shares that will represent a majority of our outstanding shares of common stock. If more than a majority of the shares offered at the minimum of the offering range, but less than a majority at the maximum of the offering range, are purchased in the subscription offering, the standby purchaser may also acquire a majority of our outstanding shares of common stock by purchasing additional shares above the offering minimum but not more than the offering maximum. In that event, we would qualify as a "controlled company" within the meaning of the corporate governance rules of Nasdaq. "Controlled companies" under those rules are companies of which more than 50% of the voting power is held by an individual, a group or another company.

If we become a "controlled company" upon the completion of the offerings, we will avail ourselves of the "controlled company" exception under the Nasdaq rules and will not be subject to the Nasdaq listing requirements that would otherwise require us to have a board of directors comprised of a majority of independent directors, compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors and director nominees selected, or recommended for the board of director's selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

The standby purchase agreement and/or our bylaws contain provisions regarding our corporate governance and board structure, including:

- the board of directors shall consist of designees appointed by the standby purchaser (the "standby purchaser designees") and designees appointed by Vericity (the "company designees"). The number of company designees shall not exceed six or at any time be less than two, and the number of standby purchaser designees at any given time shall be one more than the number of company designees, but in no event less than three, provided that the standby purchaser may designate the minimum additional number of designees as necessary to comply with SEC and Nasdaq Stock Market rules relating to the number of independent directors serving on the board of directors or any committee of the board;
- the compensation payable to the company designees may not be decreased without the consent of a majority of the company designees, and may not be increased without the consent of a majority of the standby purchaser designees;
- in the event of any vacancy in the office of any standby purchaser designee or company designee, a majority of the remaining designees, as applicable, will have the right to designate a replacement to fill the vacancy, provided that in the case of a vacancy of a company designee, the standby purchaser may elect to reduce the size of the board of directors by two so long as one of the standby purchaser designees resigns, and provided further that in the event that there are no remaining company designees to designate a replacement, the advisory board shall have the right to designate a replacement company designee;
- at any election of directors of Vericity, a majority of the standby purchaser designees will have the right to nominate the successors of the standby purchaser designees, and a majority of the company designees will have the

right to nominate the successors of the company designees, provided that in the event that there are no remaining company designees to designate successors, the advisory board shall have the right to designate successor company designees;

- any transaction between the standby purchaser or any of its affiliates, on the one hand, and Vericity or any of its subsidiaries, on the other hand, shall be subject to approval by the company designees, other than ordinary course transactions on arm's length terms; and
- Mr. Hohmann shall serve as Chief Executive Officer of the Company for three years after the closing of the offering, subject to his earlier death, retirement, resignation or removal for cause as defined in the standby purchase agreement.

If the eligible members and the directors and officers of Members Mutual collectively purchase in the subscription offering a majority of the shares offered at the maximum of the offering range, we will not be a "controlled company".

Director Independence

We have undertaken a review of the composition of our board of directors and considered whether any director or director nominee has a relationship with us that could compromise that director or director nominee's independent judgment in carrying out his or her responsibilities and all other facts and circumstances that the board of directors deemed relevant in determining their independence. We have affirmatively determined that each of our directors and director nominees, with the exception of Mr. Hemmings and Mr. Hohmann, is an independent director under the Nasdaq Marketplace Rules.

If we are a controlled company, our board of directors is not required to consist of a majority of directors who meet the definition of independent under the Nasdaq listing requirements, but the Audit Committee will be required to consist of directors meeting the Nasdaq and SEC standards for independent audit committee members (as noted below).

There are no family relationships among any of our directors, director nominees or executive officers.

Committees of the Board of Directors

We will have the following committees of our board of directors in place upon the completion of this offering: the audit committee; the compensation committee; and the nominating and governance committee. Each of these committees will operate under a committee charter to be approved by our board of directors and available on our website at www.vericity.com. The composition, duties and responsibilities of our committees are as set forth below:

Audit Committee

The audit committee is responsible for the oversight of the integrity of our consolidated financial statements, our systems of internal control over financial reporting, our risk management, the qualifications and independence of our independent registered public accounting firm, the performance of our internal auditor and independent auditor and our compliance with applicable legal and regulatory requirements. The audit committee has the sole authority and responsibility to select, determine the compensation for, evaluate and, when appropriate, replace our independent registered public accounting firm. All audit and non-audit services, other than *de minimis* non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee. The audit committee also approves related-party transactions.

Our audit committee will be composed of Mr. Perry (chair), Mr. Schacht, and Mr. Dong. Our board of directors has determined that each of the members of the audit committee meets the definition of "independent director" for purposes of serving on the audit committee under Exchange Act Rule 10A-3 and the Nasdaq Marketplace Rules. In addition, the board of directors has determined that Scott R. Perry qualifies as an "audit committee financial expert" as such term is defined in Item 407(d)(5) under Regulation S-K.

Compensation Committee

The compensation committee is responsible for annually reviewing and approving the corporate goals and objectives relevant to the compensation of our Chief Executive Officer and evaluating our Chief Executive Officer's performance in light of these goals; reviewing the compensation of our executive officers and other appropriate officers; reviewing and reporting to the board of directors on compensation of directors and board committee members; and administering our incentive and equity-based compensation plans.

Our compensation committee will be composed of Mr. Rahe (chair), Mr. Schacht, Mr. Ashe, and Mr. Dong. If we are not a controlled company under the Nasdaq Marketplace Rules, each of the members of the compensation committee will be required to meet the definition of an “independent director” under the Nasdaq Marketplace Rules and the Exchange Act.

Nominating and Governance Committee

Our nominating and corporate governance committee will be composed of Mr. Dong (chair), Mr. Rahe, and Mr. Ashe. The nominating and governance committee will be responsible for identifying and recommending candidates for election to our board of directors and each committee of our board of directors, developing and recommending corporate governance guidelines to the board of directors and overseeing performance reviews of the board of directors, its committees and the individual members of the Board. If we are not a controlled company under the Nasdaq Marketplace Rules, each of the members of the nominating and governance committee will meet the definition of “independent director” under the Nasdaq Marketplace Rules and the Exchange Act.

In the event the Company is a “controlled company” after completion of the offering, it is expected that Mr. Hohmann and Mr. Hemmings would serve on the Nominating and Governance Committee and that Mr. Hohmann would serve on the Compensation Committee.

Code of Ethics

We have adopted a code of business conduct and ethics applicable to our principal executive, financial and accounting officers and all persons performing similar functions. A copy of that code will be available on our website at www.vericity.com. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions, on our website to the extent required by applicable rules and exchange requirements. The inclusion of our website address anywhere in this prospectus does not incorporate by reference the information on or accessible through our website into this prospectus.

Advisory Board

Upon completion of the offerings, we will establish an advisory board to provide general policy advice to the board of directors. Advisory board members are entitled to attend meetings of the board of directors but shall not vote. Members of the advisory board shall have the right to nominate individuals to be company designees in the event that there are no then-serving company designees. Members of the advisory board will receive the same compensation provided to company designees serving on the board of directors of Vericity. Advisory board members will serve until the earlier of the sale of Vericity to a third party, the fifth anniversary of the closing of this offering or a member’s death, resignation or removal for cause. The advisory board shall consist of former directors of Members Mutual who are not serving as directors of Vericity. The initial advisory board shall consist of Ms. Bynoe, Mr. Fibiger and Mr. Groot.

Set forth below is biographical information for the members of the advisory board:

Linda Walker Bynoe is the President and Chief Executive Officer of Telemat Ltd., a project management and consulting firm based in Chicago, Illinois. Ms. Bynoe has served in that position since 1995. From 1989 to 1995, Ms. Bynoe was the Chief Operating Officer of Telemat Ltd. From 1978 to 1989, Ms. Bynoe worked in executive capacities with the capital markets division of Morgan Stanley, serving as Vice President since 1985. Ms. Bynoe serves on the board of directors of Anixter International Inc., Prudential Retail Mutual Funds and the Northern Trust Corporation, and as a Trustee of Equity Residential. Ms. Bynoe became a director of Fidelity Life in 2002 and of Members Mutual in 2007.

John A. Fibiger served in various positions, including President, Chief Financial Officer and Chairman of the board of directors, of the Transamerica Life Companies, based in Los Angeles, California. Prior to his association with the Transamerica Life Companies, Mr. Fibiger served in various positions with New England Mutual Life Insurance Company, including as its President from 1982 to 1989. He recently served as an independent trustee with the following mutual fund complexes associated with Genworth Financial, Inc.: GPS Funds II (10 portfolios); since 2004, Genworth Financial Asset Management Funds (10 portfolios); and from 2008 to 2011, Genworth Variable Insurance Trust (20 portfolios). He served as a trustee of the Menninger Foundation, Houston, TX (formerly located in Topeka, KS) and was Chairman of the Menninger Fund.

Mr. Fibiger has been a member since 1956 and a Fellow since 1959 of the Society of Actuaries. He has been a Member since 1963 of the American Academy of Actuaries and served as its President from 1987 to 1988. He is also a trustee of the

Austin Symphony Orchestra and a life trustee of the Museum of Science, Boston, Massachusetts. Mr. Fibiger became a director of Fidelity Life in 2004 and of Members Mutual in 2007.

Steven L. Groot held a series of actuarial and executive management positions during a thirty-plus year career with Allstate Insurance Company. Among other positions at Allstate, Mr. Groot served as President of Allstate Insurance Companies of Canada, President of Allstate Indemnity, President of Allstate International and President of Allstate's direct distribution and e-commerce business. He was a member of the Allstate Insurance Company board of directors from 1994 to 2002 and served on the investment and executive committees of the Allstate Insurance Company board of directors.

Mr. Groot is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries and also a member of the California State Bar Association. He currently serves as a member of the Board of Directors of CEM Insurance Company, a privately held property and casualty insurer, and was a life trustee of Lawrence Hall Youth Services in Chicago, Illinois. Since 2006, Mr. Groot has served on the board of directors of American Safety Insurance Holdings, Ltd., a specialty commercial insurer that was sold in 2013. Mr. Groot became a director of Fidelity Life in 2006 and of Members Mutual in 2007.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the compensation information for our Chief Executive Officer, the President and Chief Operating Officer of Fidelity Life and our President and Chief Operating Officer of Efinancial based on compensation earned for the years ended December 31, 2018 and December 31, 2017 (our “named executive officers”).

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)(1)</u>	<u>All Other Compensation(\$)(2)</u>	<u>Total (\$)</u>
James Hohmann President and Chief Executive Officer	2018	700,000	818,342	35,605	1,553,947
	2017	675,000	719,792	35,990	1,430,782
James Harkensee President and Chief Operating Officer of Fidelity Life	2018	420,000	328,334	26,091	774,425
	2017	410,000	289,300	26,815	726,115
Chris Campbell(3) President and Chief Operating Officer of Efinancial	2018	385,000	245,059	74,076	704,135

- (1) Includes the following amounts earned under the short-term incentive program based on 2018 and 2017 performance, respectively, for Messrs. Hohmann and Harkensee and for 2018 for Mr. Campbell: Mr. Hohmann \$523,997 and \$518,535; Mr. Harkensee \$240,031 and \$230,953; and Mr. Campbell \$199,512. Also includes the following amounts paid in 2018 and 2017, respectively, for Messrs. Hohmann and Harkensee and for 2018 for Mr. Campbell pursuant to outstanding awards under the Long-Term Incentive Plan (“LTIP”) based on an LTIP unit value as of December 31, 2016 of \$7.05: Mr. Hohmann, \$294,345 and \$201,257; Mr. Harkensee, \$88,303 and \$58,347; and Mr. Campbell \$45,547. See “Executive Compensation—Short-Term Incentive Program” and “Executive Compensation—Long-Term Incentive Plan” below for additional information.
- (2) All other compensation consists of the following: (i) company portion of health, dental, life, disability and vision insurance premiums, (ii) 401(k) company matching contributions, and (iii) housing stipend for Mr. Campbell.
- (3) Mr. Campbell became a named executive officer in 2018.

Short-Term Incentive Program

2018 Short-Term Incentive Program

Under the annual bonus program, the compensation committee established 2018 bonus opportunities. Mr. Hohmann’s annual bonus opportunity was 0% to 140% of his base salary, with his target bonus opportunity equal to 80% of base salary. The bonus opportunity for each of Messrs. Harkensee and Campbell was 0% to 96.25% of their base salary, with the target bonus opportunity equal to 55% of their respective base salaries. The amount of bonus paid depended on achievement of performance measures recommended by management and approved by the compensation committee.

The performance award for each of our named executive officers was based on the following performance categories:

- Corporate (consolidated pre-tax GAAP earnings before eliminations and before conversion costs (including GAAP audit expenses); expense initiative; number of new Progressive policyholders);
- Fidelity Life (pre-tax statutory operating income; pre-tax GAAP income; digital direct implementation); and
- Efinancial (EBITDA; retail placed premiums; premium per marketing dollar).

Mr. Hohmann’s bonus opportunity was weighted 50% Corporate, 25% Fidelity Life, and 25% Efinancial. Mr. Harkensee’s bonus opportunity was weighted 30% Corporate, 40% Fidelity Life, and 30% Efinancial. Mr. Campbell’s bonus opportunity was weighted 30% Corporate, 30% Fidelity Life, and 40% Efinancial.

In 2018, we achieved 80% of target for Corporate, 156% for Fidelity Life, and 59% for Efinancial. Based on this performance, 2018 annual bonuses for our named executive officers were as follows: Mr. Hohmann \$523,997; Mr. Harkensee \$240,031; Mr. Campbell \$199,512. On average, our named executive officers achieved approximately 96% of their target bonus.

2017 Short-Term Incentive Program

Under the annual bonus program, the compensation committee established 2017 annual bonus opportunities. Mr. Hohmann's annual bonus opportunity was 0% to 140% of his base salary, with his target bonus opportunity equal to 80% of base salary. The bonus opportunity for Mr. Harkensee was 0% to 96.25% of his base salary, with the target bonus opportunity equal to 55% of his base salary. The amount of bonus paid depended on achievement of performance measures recommended by management and approved by the compensation committee.

The performance award for each of our named executive officers was based on the following performance categories:

- Corporate (adjusted pre-tax earnings, affinity partnership policyholder growth, and execution of a plan for the subscription rights conversion);
- Fidelity Life (pre-tax statutory operating income, pre-tax income, new business growth, and a new redundant reserve solution); and
- Efinancial (pre-tax net income, increases in certain sales and revenues as compared to marketing expenses).

Mr. Hohmann's bonus opportunity was weighted 50% Corporate, 20% Fidelity Life, and 30% Efinancial. Mr. Harkensee's bonus opportunity was weighted 20% Corporate, 60% Fidelity Life, and 20% Efinancial.

In 2017, we achieved 97.3% of target for Corporate, 110.2% for Fidelity Life, and 84.4% for Efinancial. Based on this performance, the 2017 annual bonus for Mr. Hohmann was \$518,535 and the 2017 annual bonus for Mr. Harkensee was \$230,953. On average, these named executive officers achieved approximately 97.8% of their target bonus.

Long-Term Incentive Plan

The compensation committee also approved 2015, 2016 and 2017 grants to our named executive officers under the Vericity Holdings, Inc. Long-Term Incentive Plan as amended and restated January 1, 2015 (the "LTIP"). The LTIP is a cash-based incentive plan. LTIP participants include the members of our board of directors and our executive management and certain key employees. Each LTIP unit was deemed to have a value of \$7.05 as of December 31, 2016. The LTIP unit value is adjusted as of the end of each subsequent fiscal year based on the percentage increase or decrease in the GAAP book value per share of notional stock of the Company over such year. The LTIP unit value as of or following the conversion will be the per share offering price of \$10.00.

The LTIP unit awards for 2015, 2016, and 2017 for our named executive officers were as follows: Mr. Hohmann, 55,556, 66,851, and 70,922 units; and Mr. Harkensee, 15,432, 20,055, and 21,277 units. Each LTIP award has a three year performance period beginning on January 1st of the year of grant. Thirty percent of the units under each award will vest upon completion of the conversion if the conversion is completed within the applicable performance period and the executive remains an employee on the date of the conversion. The remaining seventy percent of these units vest in three equal annual installments commencing in March of the year following the award date, subject to acceleration upon the closing of the conversion. In March of 2017, 28,562 and 8,280 units vested for Messrs. Hohmann and Harkensee respectively. The LTIP units shall vest in the event of a Change in Control of the Company (as defined in the LTIP) or the death or disability of the executive. In the event an executive is terminated by the Company without Cause (as defined in the LTIP), the unvested units shall vest pro rata based on the date of termination.

In March of 2018, 45,110, 13,245, and 2,482 units vested for Messrs. Hohmann, Harkensee and Campbell, respectively. In February 2018, our compensation committee granted LTIP awards to our named executive officers as follows: Mr. Hohmann, 73,529 units Mr. Harkensee, 22,059 units and Mr. Campbell, 22,059. The 2018 LTIP awards have a three year performance period beginning on January 1, 2018. Thirty percent of the 2018 LTIP units will vest upon completion of the conversion if the conversion is completed within this performance period and the executive remains an employee on the date of the conversion. In addition, this thirty percent of the 2018 LTIP units are eligible for vesting as of December 31, 2018 and 2019 based on the satisfaction of other performance metrics. These other performance metrics for the 2018 LTIP awards include the introduction of a new product, customer approval, acceptance and pilot program launch of an expanded product offering and the marketing of a Fidelity Life product offering. The remaining seventy percent of the 2018 LTIP units vest in three equal annual installments commencing on March 15, 2019, subject to acceleration upon the closing of the conversion.

In March of 2019, our compensation committee granted LTIP awards to our named executive officers as follows: Mr. Hohmann 104,727 units; Mr. Harkensee 31,418 units; and Mr. Campbell 25,134 units. The 2019 LTIP awards have a three year performance period beginning on January 1, 2019. The 2019 LTIP units vest in three equal installments commencing on March 15, 2020, subject to acceleration upon the closing of the conversion.

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The LTIP unit value upon completion of the conversion will be the per share offering price of \$10.00. As of March 31, 2019, our named executive officers had the following cumulative non-vested LTIP unit balances representing LTIP awards made in 2016, 2017, 2018 and 2019 valued at the \$10.00 per share offering price:

	Non-vested units(1)	Payout value upon completion of this offering
James E. Hohmann	198,924	\$1,989,240
James C. Harkensee	59,678	596,780
Chris Campbell	47,720	477,200
Total	306,322	\$3,063,220

- (1) Includes awards made by the compensation committee to our named executive officers in February 2019 as follows: Mr. Hohmann, 104,727 units; Mr. Harkensee, 31,418 units; and Mr. Campbell, 25,134 units. These awards will vest and become payable upon completion of this offering.

Deferred Compensation Plan

We offer a non-qualified deferred compensation plan to our named executive officers, directors and certain other executive officers. Deferred compensation plan participants can elect to defer a portion of their annual compensation into the deferred compensation plan, with the deferrals generally not subject to current income tax. Deferred compensation plan balances are credited with interest, computed monthly, using the yield rate that we earn on our invested assets (approximately 3.95% in 2018). Realized investment gains and losses are not considered in determining earnings on deferred compensation accounts. The deferred compensation plan currently does not include a matching contribution or any additional compensation to its participants. Ms. Bynoe participates in this plan. At December 31, 2018, Ms. Bynoe had an account balance of \$683,050 and was credited accrued interest of \$57,748.

Employment Agreements

We have entered into employment agreements with Messrs. Hohmann, Harkensee, Kim, Buchanan, Campbell and with Ms. Zimmerman. The employment agreements provide for a base salary, subject to increase as determined by the Company. Pursuant to the employment agreements, these executives are eligible to participate in all employee profit sharing and welfare benefit plans for executives as well as our annual cash incentive program, Change in Control Plan and Long Term Incentive Plan. The employment agreements require the Company to indemnify any executive who is made a party or is threatened to be made a party to any action, suit or proceeding because he or she is or was a director or officer of the Company, subject to certain conditions. In such case, the Company will provide for the advancement of certain expenses.

Under the employment agreements, the agreement and an executive's employment thereunder may be terminated due to (i) death; (ii) total disability; (iii) by the Company for Cause; (iv) by the Company at any time without Cause; (v) or by an executive on at least thirty days' notice. In the event an executive is terminated by the Company without Cause and there has not been a Change in Control under the Company's Change in Control Plan, the executive will be entitled to the following (x) an amount equal to eighteen months of executive's then current base salary; (y) an amount equal to the executive's target bonus percentage for the current year multiplied by the amount payable pursuant to (x); and (z) COBRA coverage for eighteen months provided the executive makes the appropriate election and continues to pay the relevant premiums at the same level as when employed. The amounts payable pursuant to (x) and (y) shall be paid in monthly installments. Pursuant to the employment agreements, the executives are subject to certain restrictions regarding confidential information and trade secrets. In addition, for a period of up to eighteen months, the executives are prohibited from soliciting the Company's customers and employees and from engaging in certain activities which compete with the Company.

Change in Control Severance Benefits Plan

Our named executive officers, among others, participate in the Vericity Holdings Change in Control Severance Benefits Plan (the "CIC plan"). The CIC plan provides for the payment of severance benefits to certain eligible employees whose employment is terminated without Cause or who voluntarily terminates for Good Reason following a Change in Control as those terms are defined in the CIC plan. If the standby purchaser acquires more than 50% of our common stock sold in the offerings, this offering will constitute a Change in Control under the CIC plan.

Pursuant to the CIC Plan, if our named executive officers are terminated without Cause or voluntarily terminate their employment due to Constructive Termination within 12 months of a Change in Control, they would be entitled to receive 24 months of base salary. Also, our named executive officers would receive payment of a bonus computed as the average of their short-term annual bonus as a percentage of base salary for the past three complete years in which a bonus plan was in effect. The annual bonus payout would be multiplied to be consistent with the period covered by the base salary award (2 times for 24 months). Base salary payments would continue to be paid on the same frequency as before the termination, while the bonus payment would be made in a lump sum. Following the termination of employment, we would pay the employee's share of any health insurance premiums as were paid before the termination if the employee elects to continue coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for the continuation period under COBRA. The Company would also reimburse the named executive officer the cost of obtaining comparable life and long-term disability insurance coverage that the employee was provided before the termination for 24 months. In addition, our named executive officers would be entitled to receive the immediate payment of all outstanding (vested and un-vested) awards under the Company's incentive and bonus plans, including the annual bonus program.

In the event that any payments made under the CIC plan would cause our named executive officers to be considered the recipient of an excess parachute payment within the meaning of Section 280G(b) of the Code, the amount of such payments would be reduced to an amount necessary to avoid application of Section 280G(b) of the Code.

Apex Holdco Equity Incentive Plan

In connection with completion of the offering, the Apex Holdco L.P. 2018 Equity Incentive Plan, or the EI Plan, will be established under the terms of the amended and restated limited partnership agreement of the standby purchaser (the "LP Agreement"). The EI Plan is intended to promote the long-term growth and profitability of the standby purchaser by providing employees, directors and service providers who are or will be involved in our growth with an opportunity to acquire an ownership interest in the standby purchaser, thereby encouraging such persons to contribute to and participate in our success. Under the EI Plan, the general partner of the standby purchaser may grant awards of Class B units to employees, directors and service providers of the standby purchaser and/or Vericity. Class B units are non-voting profits interests in the standby purchaser that entitle the holders thereof to participate in the appreciation in the value of the standby purchaser above an applicable threshold and to thereby share in our future growth.

Under the EI Plan, Class B units representing 20% of the fully diluted units of the standby purchaser at the closing will be reserved for issuance in accordance with the terms of the LP Agreement. Of this amount, approximately 20% of the Class B units will be issuable to non-employee directors and advisory board members of Vericity and 80% will be issuable to employees and service providers of Vericity. The grants of Class B units vest ratably over five years, subject to forfeiture under certain conditions. The grants to the directors of Vericity are not subject to forfeiture. The grant of equity-based awards to the participants under the EI Plan, including our named executive officers, officers and directors of Vericity, in the form of Class B units was intended to encourage the creation of long-term value for the standby purchaser and all of our stockholders by helping to align the interests of the participants under the EI Plan with those of our stockholders and to promote employee retention and ownership, all of which serve our overall compensation objectives. Participants under the EI Plan will be eligible to receive grants whether or not they subscribe to purchase shares in the subscription offering.

Director Compensation

In 2018, each of our non-employee directors, other than Mr. Hemmings, received an annual retainer of \$45,000. Mr. Hemmings received an annual retainer of \$100,000. In addition, each committee chair received an additional retainer of \$10,000. Mr. Groot received an additional \$10,000 retainer for serving as the chairman of the board of Efinancial. Ms. Bynoe was the Committee Chair for two Committees and therefore received \$20,000. Each of our non-employee directors received a fee of \$1,500 for each board meeting attended and a fee of \$1,500 per committee meeting attended. Each director also received a cash payment for vested grants received under the LTIP.

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The table below summarizes the total compensation earned from Members Mutual by our non-employee directors for the fiscal year ended December 31, 2018.

Name	Fees Earned or Paid in Cash	Non-Equity Incentive Plan Compensation⁽¹⁾	Total
Linda Walker Bynoe	\$ 116,000	\$ 26,775	\$142,775
John A. Fibiger	104,500	26,775	131,275
Richard A. Hemmings	127,000	16,829	143,829
Steven L. Groot	104,500	26,775	131,275
James W. Schacht	106,000	26,775	132,775

- (1) Represents amounts paid in 2018 pursuant to outstanding awards under the LTIP based on an LTIP unit value as of December 31, 2016 of \$7.05. See “Executive Compensation—Long-Term Incentive Plan.”

Mr. Hemmings received an LTIP award of 9,259 units and each other non-employee director received an LTIP award of 3,086 units on December 18, 2015. In addition, Mr. Hemmings received an LTIP award of 10,028 units and each other non-employee director received an LTIP award of 3,343 units on August 2, 2016. Further, Mr. Hemmings received an LTIP award of 6,856 units and all of our other non-employee directors received an LTIP award of 4,965 units on February 13, 2017. The LTIP units vest in three equal annual installments commencing in March of the following year. In March of 2017, 4,500 units vested for Mr. Hemmings and 2,143 units vested for each of our other non-employee directors. The LTIP units shall vest in the event of a Change in Control of the Company (as defined in the LTIP) or the death or disability of the director. In the event the director is terminated as a director by the Company without Cause (as defined in the LTIP), the unvested units shall vest pro rata based on the date of termination.

Upon completion of this offering, the compensation committee will terminate the LTIP and all awards will be payable to the participants based on the per share offering price. As of March 31, 2019, our directors had the following non-vested LTIP balances representing LTIP awards made in 2016, 2017, 2018 and 2019 valued at the \$10.00 per share offering price.

	Non-vested Units⁽¹⁾	Payout value upon completion of this offering
Linda Walker Bynoe	10,951	\$109,510
John A. Fibiger	10,951	109,510
Richard A. Hemmings	10,399	103,990
Steven L. Groot	10,951	109,510
James W. Schacht	10,951	109,510
Total	54,203	\$542,030

- 1) Includes an award of 5,147 units to each of our non-employee directors in February 2018. These awards will vest and become payable upon completion of this offering.

Limitations of Liability and Indemnification Matters

Our charter, as it will be in effect upon the closing of this offering, will limit the liability of our directors to the fullest extent permitted by the DGCL and provide that we will indemnify our directors and officers to the fullest extent permitted by the DGCL, and that we will indemnify our advisory board members as third-party indemnitees and not as fiduciaries.

In addition, we have entered into separate indemnification agreements with our directors and executive officers, and will enter into such agreements with the standby purchaser designees, which will require us, among other things, to indemnify each of these individuals against all expenses (including reasonable attorneys’ fees, retainers, court costs, fees of experts and witnesses, travel costs and costs and expenses incurred as a witness), judgments, penalties, fines, and amounts paid in settlement reasonably paid or incurred in connection with any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or other proceeding by reason of the fact that such person is or was a director, officer, employee, agent or fiduciary of Vericity or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at our express written request. We also will enter into separate third-party indemnification agreements with our advisory board members. The indemnification agreements also require us, if requested, to advance to an indemnified person all costs and expenses eligible for indemnification within 30 days of a request for indemnification, provided that the recipient undertakes to return any such advance if it is ultimately determined that the recipient is not entitled to indemnification for the amounts advanced.

We are not required to provide indemnification under our indemnification agreements for certain matters, including (i) indemnification beyond that permitted by the DGCL, (ii) indemnification in connection with certain proceedings or claims initiated by the person seeking indemnification, unless the board of directors authorized the proceeding prior to its initiation or Vericity provides the indemnification in its sole discretion, (iii) indemnification related to an accounting of profits under Section 16(b) of the Exchange Act or similar provisions of state law, (iv) indemnification for liabilities for which payment has actually been made to or on behalf of the indemnified person under any insurance policy or other indemnity provision (other than with respect to the standby purchaser designees, for whom Vericity is the indemnitor of first resort), or (v) indemnification where a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

We also maintain director and officer liability insurance.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of certain rights of holders of our common stock and related provisions of our charter and bylaws, as they will be in effect upon the closing of this offering. The following summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of our charter and bylaws, each of which is included as an exhibit to the registration statement of which this prospectus is a part, and by the provisions of applicable law.

Authorized Capital Stock

Our authorized capital stock consists of 30,000,000 shares of common stock, par value \$0.001 per share. Prior to the completion of this offering, Members Mutual will be the only record holder of our common stock. The one (1) outstanding share of Vericity, Inc. is owned by Members Mutual and will be cancelled upon completion of this offering. For additional detail regarding our ownership and structure prior to and following the closing of this offering, see “Prospectus Summary—Our Structure Prior to the Conversion” and “Prospectus Summary—Our Structure Following the Conversion.” Upon completion of this offering we will have a minimum of 14,875,000 shares and a maximum of 20,125,000 shares of common stock outstanding.

Common Stock

Voting Rights. Holders of our common stock will be entitled to one vote per share on all matters submitted to a vote of stockholders, including the election of directors. Holders of our common stock will not be entitled to cumulative voting in the election of directors. Directors of the Company will be elected by a plurality of the shares of our common stock present in person or by proxy and entitled to vote thereon. Other than for the election of directors, matters to be voted on by stockholders must generally be approved by the affirmative vote of the majority of the shares of our common stock present in person or by proxy and entitled to vote thereon.

Dividends. Holders of our common stock will be entitled to receive ratably, on a per share basis, the dividends, if any, as may be declared from time to time by our board of directors out of funds legally available therefor. See “Dividend Policy.”

Transfer. The common stock issued in this offering will be freely transferable under the Securities Act of 1933. However, the transfer of shares purchased by our directors and officers pursuant to subscription rights granted to them will be restricted for a period of one year from the effective date of the conversion pursuant to the plan of conversion and Section 59.1(7)(a)(iii) of the Illinois Insurance Code. The directors and executive officers of Vericity also are subject to additional resale restrictions under Rule 144 of the Securities Act of 1933. Any shares issued to the directors and officers of Vericity as a stock dividend, stock split or otherwise with respect to restricted stock will be subject to the same restrictions. Shares acquired by the directors and executive officers after the completion of this offering will be subject to the requirements of Rule 144. The shares purchased by the standby purchaser will be restricted securities and subject to trading limitations under applicable law and the standby purchase agreement. We will give instructions to the transfer agent for the common stock regarding these transfer restrictions.

Liquidation. If there is a liquidation, dissolution or winding up of Vericity, holders of our common stock would be entitled to share in our assets remaining after the payment of liabilities, ratably on a per share basis.

Other Characteristics. Holders of our common stock have no preemptive or conversion rights or other subscription rights, and no redemption or sinking fund provisions will apply to our common stock. All shares of our common stock to be issued in this offering will be, when issued, fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may authorize and designate in the future.

Special Meetings of Stockholders

Our charter and bylaws will generally provide that special meetings of our stockholders may be called only by order of the board of directors or by stockholders holding together at least a majority of all of the outstanding voting shares of Vericity. At any special meeting of our stockholders, only such business will be conducted as has been specified in the notice of meeting given by or at the direction of our board of directors or otherwise properly brought before the special meeting by or at the direction of our board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to bring business before a meeting of stockholders, or to nominate candidates for election as directors at a meeting of shareholders, must provide timely notice of their intent in writing. To be

timely, a shareholder's notice must be delivered to our principal executive offices not less than 90 days nor more than 120 days prior to the one-year anniversary of the date of the preceding year's annual meeting of stockholders. Our bylaws also specify certain requirements as to the form and content of a stockholder's notice, including the stockholder's ownership of the Company, synthetic equity transactions engaged in by the stockholder related to the Company, any proxies or voting agreements pursuant to which such stockholder has a right to vote shares of the Company, any stock borrowing agreements entered into by the stockholder related to the Company, any performance-related fees the stockholder is entitled to based on changes in the value of the stock of the Company and any other information that would be required to be made in connection with a solicitation of proxies by such stockholder pursuant to Section 14(a) of the Exchange Act. Our bylaws also require that such stockholder provide information concerning each item of business proposed by the stockholder and individuals nominated for election as a director, as applicable. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders.

Anti-takeover Effects of Provisions of Our Charter, Bylaws, Delaware Law and Illinois Law

Anti-takeover provisions contained in our charter and bylaws, as they will be in effect upon the closing of this offering, as well as provisions of Delaware and Illinois law, contain provisions that could make the following transactions more difficult: acquisition of us by means of a tender offer; acquisition of us by means of a proxy contest or otherwise; or removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms. For additional information about these provisions, see "Risk Factors—Risks Relating to Ownership of Our Common Stock—Anti-takeover provisions contained in our amended and restated certificate of incorporation, which we refer to as our charter, and our amended and restated bylaws, which we refer to as our bylaws, as they will be in effect upon completion of this offering, as well as provisions of Delaware and Illinois law, may render more difficult or discourage takeover attempts on Vericity that you may believe are in your best interests or that might result in a substantial profit to you."

Delaware Anti-Takeover Statute

We will be subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the time the person became an interested stockholder unless: (i) prior to such time the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding certain shares; or (iii) at or subsequent to such time, the business combination is approved by the board and by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting securities. The standby purchaser's acquisition of more than 15% of our common stock was approved by the board of directors and therefore is not subject to this restriction.

Stockholder Action by Written Consent

Our charter and bylaws will not prohibit action by written consent of our stockholders, and therefore any action required or permitted to be taken by our stockholders may be taken by written consent. If the standby purchaser acquires a majority of our shares in the standby offering, the standby purchaser will be able to approve most corporate actions requiring stockholder approval by written consent without a duly-noticed and duly-held meeting of stockholders.

Waiver of Corporate Opportunities

Section 122(17) of the DGCL permits a Delaware corporation to renounce in its certificate of incorporation or by action of its board of directors any interest or expectancy of the corporation in certain opportunities. In order to address potential

conflicts of interest between Vericity and the standby purchaser designees, our charter contains provisions renouncing any interest or expectancy of Vericity in, or in being offered an opportunity to participate in, any business opportunities that are presented to one or more of our directors or stockholders who are, at the time, associated with or nominated by, or serving as such as representatives of, the standby purchaser or its affiliates, other than those directors or stockholders who are employees of Vericity or its subsidiaries, unless such opportunity is presented to, acquired, created or developed by, or otherwise comes into the possession of, any such director in such director's capacity as a director of Vericity.

Illinois Insurance Law

We are subject to provisions of Illinois insurance law that regulate a change of control. Illinois law requires the Illinois Department of Insurance's prior approval of a change of control of an insurance holding company. Under Illinois law, the acquisition of 10% or more of the outstanding voting stock of an insurer or its holding company is presumed to be a change in control. Approval by the Illinois Department of Insurance may be withheld even if the transaction would be in the stockholders' best interest if the Illinois Department of Insurance determines that the transaction would be detrimental to policyholders. In addition to the limitations set forth above, no person or group of persons acting in concert (other than the standby purchaser) may acquire, directly or indirectly, in this offering or any public offering, more than 5% of the capital stock of Vericity for a period of five years from the effective date of the conversion without the approval of the Illinois Director of Insurance.

Forum for Adjudication of Disputes

Our bylaws provide that unless we otherwise consent in writing to the selection of an alternative forum, the sole and exclusive forum for any actions asserting claims brought against or on behalf of the Company, including any derivative action, any action for breach of fiduciary duty owed to the Company or the Company's stockholders, any action arising under the DGCL, our charter or bylaws, or any action governed by the internal affairs doctrine, shall be a state or federal court located within the State of Delaware, in all cases subject to the court having personal jurisdiction over the indispensable parties named as defendants; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Any purchaser acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision of our bylaws.

Limitation of Liability and Indemnification Matters

As permitted by the DGCL, we have adopted provisions in our certificate of incorporation that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty as a director, including the duty of care. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted under Delaware law. Delaware law currently does not permit the limitation or elimination of personal liability for (i) any breach of the director's duty of loyalty to us or our stockholders; (ii) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; (iii) any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or (iv) any transaction from which the director derived an improper personal benefit.

Our charter also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law, and we may advance expenses to our directors, officers and employees in connection with a legal proceeding, subject to limited exceptions. As permitted by the DGCL, our charter provides that:

- we will indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to limited exceptions; and
- we may purchase and maintain insurance on behalf of our current and former directors, officers, employees or agents against any liability asserted against them and incurred by them in any such capacity, or arising out of their status as such.

In addition, we have entered into indemnification agreements with each of our executive officers and directors pursuant to which each executive officer and director will be indemnified as described above and will be advanced costs and expenses subject to delivery of an undertaking to repay any advanced amounts if it is ultimately determined that such executive officer or director is not entitled to indemnification for such costs and expenses. We will enter into similar indemnification agreements with the standby purchaser designees upon completion of this offering. We will also enter into an agreement with each of our advisory board members addressing indemnification, confidentiality and other matters.

Certain Restrictions Contained in the Standby Purchase Agreement, our Charter and Bylaws

The standby purchase agreement contains covenants and agreements by the standby purchaser with respect to, among other things:

- the composition of the board of directors, and the standby purchaser’s voting of its shares with respect thereto;
- director compensation;
- related party transactions;
- establishment of an advisory board;
- standstill provisions; and
- amendments to our charter and bylaws, and the standby purchaser’s voting of its shares with respect thereto.

As provided in the standby purchase agreement, many of these provisions are reflected in our charter and bylaws. For a more detailed description of these covenants and agreements, see “The Conversion and Offering—Description of the Standby Purchase Agreement—Post-Closing Covenants” and “Management—Corporate Governance—Overview of our Board Structure.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Listing

Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol “VERY.”

LEGAL MATTERS

The legality of our common stock will be passed upon for us by Locke Lord LLP, Chicago, Illinois. Certain legal matters will be passed upon for Raymond James by Stevens & Lee, P.C., Reading, PA.

EXPERTS

The consolidated financial statements included in this prospectus and the related schedules included elsewhere in the Registration Statement as of December 31, 2018 and 2017 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the Registration Statement. Such consolidated financial statements and consolidated financial statement schedules are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Boenning & Scattergood, Inc. has consented to the publication in this document of the summary of its report to us setting forth its opinion as to the estimated consolidated pro forma market value of converted Members Mutual, as determined on the basis of an independent evaluation.

We retained Milliman, Inc., an independent actuarial consulting firm, to advise us in connection with actuarial matters involved in the allocation of subscription rights and the establishment of the individual maximum purchase limitations. The opinion of Steven I. Schreiber, Principal of Milliman, dated March 25, 2019, relating to the proposed allocation of subscription rights among eligible members in consideration for the extinguishment of their membership interests in Members Mutual, states (in reliance upon the matters described in such opinion) that the principles, methodology and the allocation instructions for allocating consideration among the eligible members and for allocating shares in the event of an over subscription, each as set forth in the plan of conversion, are fair and equitable from an actuarial point of view. The opinion of Steven I. Schreiber is an exhibit to the registration statement of which this prospectus is a part, and is available for inspection in the manner set forth in the section titled "Additional Information." A copy of the actuarial opinion is also on file and available for inspection at our principal executive offices.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933 with respect to the shares of our common stock offered in this document. As permitted by the rules and regulations of the SEC, this prospectus does not contain all the information set forth in the registration statement. The registration statement is available through the SEC's world wide web site on the internet at <http://www.sec.gov>. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions thereof and are not necessarily complete.

In connection with this offering, we will register our common stock with the SEC under Section 12(b) of the Securities Exchange Act of 1934, and, upon such registration, we and the holders of our stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on stock purchases and sales by directors, officers and stockholders with 10% or more of the voting power, the annual and periodic reporting requirements and certain other requirements of the Securities Exchange Act of 1934.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Vericity Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Members Mutual Holding Company and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes and the supplemental schedules of (I) summary of investments other than investments in related parties as of December 31, 2018, (II) condensed financial information of registrant (parent company) as of and for the years ended December 31, 2018 and 2017, (III) supplementary insurance information as of and for the years ended December 31, 2018 and 2017, (IV) reinsurance as of and for the years ended December 31, 2018 and 2017, and (V) valuation and qualifying accounts for the years ended December 31, 2018 and 2017 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 15, 2019

We have served as the Company’s auditor since 2005.

Members Mutual Holding Company
Consolidated Balance Sheets
(dollars in thousands)

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS:		
Investments:		
Fixed maturities—available-for-sale—at fair value (amortized cost; \$304,303 and \$318,966)	\$ 306,586	\$ 337,668
Equity securities—available-for-sale—at fair value (cost; \$99 and \$109)	99	109
Equity securities—trading—at fair value (cost; \$6,328 and \$6,184)	4,823	5,596
Mortgage loans (net of valuation allowances of \$236 and \$268)	50,830	42,852
Limited partnership interests	118	899
Policyholder loans	5,623	5,936
Total investments	<u>368,079</u>	<u>393,060</u>
Cash and cash equivalents	20,984	11,766
Accrued investment income	2,985	3,323
Reinsurance recoverable (net of allowance of \$0 and \$0)	136,601	143,915
Deferred policy acquisition costs	84,567	82,319
Commissions and agent balances (net of allowances of \$562 and \$830)	1,864	2,034
Intangible assets	1,716	1,880
Deferred income tax assets, net	10,663	4,925
Other assets	27,511	23,192
Total assets	<u>654,970</u>	<u>666,414</u>
LIABILITIES AND EQUITY:		
Liabilities:		
Future policy benefits and claims	320,397	302,782
Policyholder account balances	93,051	98,899
Other policyholder liabilities	25,738	36,011
Policy dividend obligations	9,383	11,097
Reinsurance liabilities and payables	6,167	7,468
Long-term debt	10,294	—
Short-term debt	3,072	—
Other liabilities	14,678	13,954
Total liabilities	<u>482,780</u>	<u>470,211</u>
Commitments and contingencies	—	—
Equity:		
Retained earnings	174,558	188,405
Accumulated other comprehensive (loss) income (net of tax \$1,574 and \$4,278)	(2,368)	7,798
Total equity	<u>172,190</u>	<u>196,203</u>
Total liabilities and equity	<u>\$ 654,970</u>	<u>\$ 666,414</u>

Members Mutual Holding Company
Consolidated Statements of Operations
(dollars in thousands)

	Year Ended December 31,	
	2018	2017
REVENUES:		
Net insurance premiums	\$ 88,573	\$ 82,873
Net investment income	15,101	15,119
Sales and other net realized investment (losses) gains	(967)	571
Earned commissions	13,404	11,514
Insurance lead sales	7,633	5,523
Other income	236	270
Total revenue	<u>123,980</u>	<u>115,870</u>
BENEFITS AND EXPENSES:		
Life, annuity, and health claim benefits	56,556	56,035
Interest credited to policyholder account balances	3,598	3,776
Operating costs and expenses	68,353	55,912
Amortization of deferred policy acquisition costs	11,506	10,926
Other expenses	164	163
Total benefits and expenses	<u>140,177</u>	<u>126,812</u>
(Loss) income from operations before income tax	(16,197)	(10,942)
Income tax (benefit) expense	(2,350)	(2,701)
Net (loss) income	<u><u>\$ (13,847)</u></u>	<u><u>\$ (8,241)</u></u>

Members Mutual Holding Company
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)

	Year Ended December 31,	
	2018	2017
Net (loss) income	<u>\$(13,847)</u>	<u>\$(8,241)</u>
Comprehensive (loss) income:		
Net unrealized (losses) gains on investments (net of tax \$2,704 and (\$597))	<u>(10,166)</u>	<u>1,461</u>
Total comprehensive (loss) income (net of tax \$2,704 and (\$597))	<u>(10,166)</u>	<u>1,461</u>
Total comprehensive (loss) income	<u><u>\$(24,013)</u></u>	<u><u>\$(6,780)</u></u>

Members Mutual Holding Company
Consolidated Statements of Changes in Equity
(dollars in thousands)

	Year Ended December 31,	
	2018	2017
RETAINED EARNINGS:		
Balance—beginning of period	\$188,405	\$196,646
Net (loss) income attributable The Company	(13,847)	(8,241)
Balance—end of period	174,558	188,405
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME:		
Balance—beginning of period	7,798	6,337
Other comprehensive (loss) income attributable to The Company	(10,166)	1,461
Balance—end of period	(2,368)	7,798
Total equity	<u>\$172,190</u>	<u>\$196,203</u>

Members Mutual Holding Company
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$(13,847)	\$ (8,241)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization and other non-cash items	1,445	818
Interest credited to policyholder account balances	3,598	3,776
Deferred income tax	(3,033)	(2,060)
Realized investment gains and (losses)	967	(571)
Interest expense	514	—
Change in:		
Trading securities	(367)	(297)
Accrued investment income	338	23
Reinsurance recoverable	7,314	2,089
Deferred acquisition costs	(2,248)	(1,086)
Commission and agent balance receivable	169	(940)
Other assets	(129)	(6,691)
Insurance liabilities	9,028	18,084
Other liabilities	454	4,576
Net cash provided by operating activities	<u>4,203</u>	<u>9,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales, maturities and repayments of:		
Fixed maturity securities	75,663	82,158
Equity securities	10	269
Limited partnerships	840	868
Mortgage loans	4,383	3,831
Purchases of:		
Fixed maturity securities	(61,151)	(77,107)
Limited partnerships	—	(66)
Mortgage loans	(12,328)	(14,174)
Change in policy loans, net	312	(160)
Other investments, net	(5,189)	(4,169)
Net cash provided (used) by investing activities	<u>2,540</u>	<u>(8,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	17,013	—
Repayment of debt	(5,261)	—
Deposits to policyholder account balances	612	588
Withdrawals from policyholder account balances	(9,889)	(9,174)
Net cash provided (used) by financing activities	<u>2,475</u>	<u>(8,586)</u>
Net increase (decrease) in cash and cash equivalents	9,218	(7,656)
Cash and cash equivalents—beginning of year	11,766	19,422
Cash and cash equivalents—end of year	<u>\$ 20,984</u>	<u>\$ 11,766</u>
Supplemental cash flow information		
Income tax paid	\$ —	\$ 937
Non-cash transactions:		
Mortgage loans transferred to limited partnerships	\$ —	\$ 66

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies

Description of Business

Members Mutual Holding Company (Members Mutual) is an Illinois-domiciled mutual insurance holding company. Members Mutual was formed in 2007 in connection with the conversion of Fidelity Life Association, a Legal Reserve Life Insurance Company (Fidelity Life), from a mutual insurance company into a stock insurance company. The members' interests in Fidelity Life were transferred to Members Mutual as part of the reorganization. In addition, Fidelity LifeCorp, Inc. (Fidelity LifeCorp), a Delaware general business corporation, was formed as part of the reorganization. In 2011, the name of Fidelity LifeCorp was changed to LifeStory Interactive, Inc. In 2014, the name of LifeStory Interactive, Inc. was changed to Vericity Holdings, Inc. (Vericity). The aforementioned companies are collectively referred to as the "Company."

Members Mutual and Vericity operate as holding companies and currently have no other business operations. Fidelity Life is an Illinois-domiciled life insurance company that was founded in 1896. Fidelity Life markets life insurance products through independent and affiliated distributors and is licensed in the District of Columbia and all states, except New York and Wyoming. eFinancial, LLC (eFinancial) markets life and other products for non-affiliated insurance companies and sells life products for Fidelity Life.

The accompanying consolidated financial statements present the accounts of Members Mutual and subsidiaries at December 31, 2018 and December 31, 2017, and for the years ended December 31, 2018 and 2017.

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unconsolidated Variable Interest Entities

In the normal course of investing activities, the Company enters into relationships with variable interest entities (VIEs), as an investor in limited partnerships. The Company is not the primary beneficiary of these VIEs, and therefore does not consolidate them. The Company determines whether it is the primary beneficiary of a VIE based on a qualitative assessment of the relative power and benefits of the Company and the other participants in the VIE. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Company's consolidated balance sheets and any unfunded commitments.

Fixed Maturities and Equity Securities

Fixed maturities and equity securities classified as available-for-sale are reported at fair value. Changes in fair value are reported as unrealized gains or losses as discussed below. Fixed maturity securities that are classified as available-for-sale securities include bonds, residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities.

Equity securities that are classified as trading securities include master limited partnerships. Securities that are classified as trading are reported at fair value with changes in fair value reported as realized gains or losses in the consolidated statements of operations.

Fair value is based on quoted market prices, when available. When quoted market prices are not available, fair value is estimated by discounting fixed maturity securities cash flows to reflect interest rates currently being offered on similar terms to borrowers of similar credit quality, by quoted market prices of comparable instruments, and by independent pricing sources. See Note 12 for further discussion on inputs and assumptions used to estimate fair value.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies (Continued)

Unrealized gains and losses on available-for-sale securities are reported as a component of accumulated other comprehensive income (AOCI), net of applicable deferred income taxes.

The amortized cost of fixed maturity securities is determined based on cost, adjustments for previously recorded other-than-temporary impairment (OTTI) losses, and the cumulative effect of amortization of premiums and accretion of discounts using the effective interest method. Such amortization and accretion are included in net investment income on the consolidated statements of operations. For mortgage-backed and asset-backed securities, the Company considers estimates of future prepayments in the calculation of the effective yield used to apply the interest method. If a difference arises between the anticipated prepayments and the actual prepayments, the Company recalculates the effective yield based on actual prepayments and the currently anticipated future prepayments. The amortized costs of such securities are adjusted to the amount that would have resulted had the recalculated effective yields been applied since the acquisition of the securities with a corresponding charge or credit to net investment income. Interest income on lower rated asset-backed securities is determined using the prospective yield method. Prepayment estimates are based on the structural elements of specific securities, interest rates, and generally recognized prepayment speed indices.

For OTTI losses on fixed maturity securities, credit losses are recognized in earnings and losses resulting from factors other than credit of the issuer are recognized in other comprehensive income. See Note 2 for further information on factors reviewed to assess OTTIs.

Mortgage Loans

Mortgage loans are held on commercial real estate and are stated at the aggregate unpaid principal balances, net of any write-downs and valuation allowances. The Company identifies loans for evaluation of impairment primarily based on the collection experience of each loan. Mortgage loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect principal or interest amounts according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral. Impairments are included in sales and other net realized investment (losses) gains in the consolidated statement of operations.

Interest income from mortgage loans is recognized on an accrual basis using the effective yield method. Accrual of income is generally suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable.

Limited Partnerships

Limited partnerships consist of investments in hedge funds that are of a passive nature in that the Company does not take an active role in the management of the limited partnerships. The Company's carrying value of investments in limited partnerships is the Company's proportionate share of the net asset value of each partnership, as determined by the general partner. Certain partnerships for which results are not available on a timely basis are reported on a lag, generally one month. Changes in net asset values are accounted for under the equity method and recorded as realized investment gains and losses in the consolidated statement of operations.

Policyholder Loans

Policyholder loans are carried at the aggregate of the unpaid balance. Interest income on such loans is recorded as earned in net investment income using the contractually agreed-upon interest rate.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid investments that are both readily convertible into known amounts of cash and have maturities of three months or less at the time of acquisition such that they present insignificant risk of changes in value due to changing interest rates and lack of credit exposure. The carrying value of these securities approximates their fair value.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies (Continued)

Reinsurance

The Company enters into reinsurance agreements to diversify risk and limit its overall financial exposure. Although these reinsurance agreements contractually obligate the reinsurers to reimburse the Company, they do not discharge the Company from its primary liability and obligation to policyholders. Risk transfer criteria are reviewed for each reinsurance contract to determine if the contract will be accounted for as reinsurance or under the deposit method of accounting.

The Company estimates the amount of uncollectible reinsurance recoverables based on periodic evaluations of balances due from reinsurers, reinsurer solvency, and management's experience. Changes in the estimated amounts for uncollectible reinsurance recoverables are presented as a component of life, annuity, and health claim benefits in the Consolidated Statements of Operations. Amounts owed by reinsurers are considered past due based on the terms of the reinsurance contract. Reinsurance recoverables and any related allowance are written off after collection efforts have been exhausted or a negotiated settlement is reached with the reinsurer.

Deferred Policy Acquisition Costs (DAC)

Incremental direct costs of acquiring new business, principally commissions on sales, underwriting, policy issuance and processing, and medical inspection costs, are deferred for successfully placed contracts. DAC for the life insurance business is amortized over the life of the business; for traditional life products, the DAC is amortized as a level percentage of gross premiums; for universal life (UL) products, the DAC is amortized as a level percentage based on estimated gross profits (EGPs). DAC for the assumed block of deferred annuities is amortized over 20 years. For UL and the deferred annuities, amortization amounts are adjusted when revisions are made to the estimates of current or future EGPs. DAC balances are evaluated periodically to assess whether there are sufficient gross margins or gross profits to recover the remaining unamortized balances.

Intangible Assets

Intangible assets with definite lives are amortized over their expected useful lives using a method that best reflects the pattern in which the economic benefits of the intangible assets will be consumed or on a straight line basis ranging from four to ten years. Software intangible assets are amortized over four years using an accelerated amortization method. Intangible assets with indefinite useful lives are not amortized.

Future Policy Benefits, Policyholder Account Balances, and Other Policyholder Liabilities

Future policy benefits represent the reserve for traditional life insurance policies and annuities in payout status. Reserves for traditional life insurance policies are computed using the net level premium method on the basis of actuarial assumptions at the issue date of the contracts, including mortality, policy lapse assumptions, and rates of interest. The reserves for annuities in payout status (structured settlements) represent the present value of assumed future payment based on contract terms for the future payouts and can include assumptions for mortality. To the extent that unrealized gains on available-for-sale fixed income securities would result in a premium deficiency had those gains actually been realized, an increase in reserves for certain immediate annuities with life contingencies is recorded net of tax as an increase (decrease) of unrealized capital gains included in AOCI. For years ended December 31, 2018 and 2017, this adjustment, net of tax, was \$1,297 and \$470, respectively.

Policyholder account balances include the liability for assumed deferred annuity and universal life contracts and the liabilities for policy dividends and death benefits on life insurance contracts that have been left on deposit with the Company. These liabilities represent the account value of the policyholder as there are no other benefits due. This liability is equal to the balance that accrues to the benefit of the policyholder, which includes the accumulation of deposits, plus interest credited, less withdrawals.

Other policyholder liabilities include the amounts estimated for claims that have been reported but not settled and estimates for claims incurred but not reported.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies (Continued)

Long and Short-Term Debt

Debt represents upfront commission payments received on certain term life products that are to be repaid as level commissions over the life of the underlying policies issued. The debt liability is accounted for under the interest method, which requires the imputation of interest resulting in the recognition of a discount as the difference between the cash payments received and the level commissions expected to be repaid based on current policy lapse assumptions. Under the interest method, the discount is amortized as interest expense over the period that level commissions are repaid resulting in a constant rate of interest when applied to the amount outstanding at the beginning of any given period. The amount to be repaid as level commissions are dependent on the level of expected policy lapses assumed for the underlying commissions financed; therefore, the debt liability may be adjusted in periods where revisions to policy lapse assumptions are made, which may result in the recognition of a gain or loss.

Income Taxes

The Company files a consolidated federal income tax return. The consolidated group is composed of Members Mutual, Vericity, Inc., Vericity Holdings, Inc., LSI.com, eFinancial, Fidelity Life, America Direct Insurance Agency, Inc., iFramework, Inc. and eCoverage.com, LLC.

The current receivable for federal income tax is recognized based on the estimated amounts to be reflected on the filed tax returns. Federal income tax expense or benefit is recognized based on amounts reported in the consolidated financial statements and using the applicable current federal income tax rate. Income taxes are allocated to operations and other comprehensive (loss) income based on the source of the taxable event. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effects of changes in tax rates or laws are recognized in the period that includes the enactment date. If necessary, a valuation allowance is established to reduce the carrying amount of deferred tax assets to amounts that are more likely than not to be realized. See Note 5, Income Taxes, for further detail.

Revenue Recognition

Life and health insurance contract premiums are recognized as income when due from policyholders. Deposits on deposit-type contracts are entered directly as a liability when cash is received.

Commission revenue from the sale of insurance products by eFinancial is recognized once the insurance policy is issued by the insurance company and accepted by the customer (policy placement) and recorded as commission receivable, net of any advances received. Provision is made for commission revenue that, based on experience, will ultimately not be earned due to the customer discontinuing the underlying insurance policy. Commission revenue that eFinancial earns from the sale of insurance products where eFinancial acts as the general agent (wholesale distribution) is recorded net of related commission expense paid to the writing agency.

Insurance lead sales include the sale of potential life insurance customer leads to outside parties including agencies and unaffiliated insurers. Sales of leads are recorded at the time the lead data is transferred to the customer and recorded as a receivable, net of allowance for returns.

Investment Income and Realized Investment Gains and Losses

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and reflects amortization of premiums and accretion of discounts on an effective yield basis, based on expected cash flows. Dividends are recorded on the ex-dividend date. Realized investment gains and losses, resulting from sales or calls of investments and representing the difference between the net proceeds and the carrying value of investments sold, are determined on a specific identification basis. Realized investment losses are also recognized when declines in the fair value of invested assets are considered to be other-than-temporary. Changes in value reported for investments accounted for using the equity method of accounting are classified within realized investment gains and losses.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies (Continued)

Policyholder Dividend Obligation

Dividends payable to policyholders are determined annually based on the experience of the Closed Block policies and are payable only upon declaration by the Board of Directors of Fidelity Life. At December 31, 2018 and 2017, a provision has been made for dividends expected to be paid in the following calendar year of \$1,233 and \$1,203, respectively. The provision is recorded in other policyholder liabilities in the consolidated balance sheets.

The Company also establishes a policyholder dividend obligation when cumulative actual earnings of the Closed Block are in excess of the cumulative expected earnings that were determined at the inception of the Closed Block. See Note 9 for further discussion.

Accounting Standards Pending Adoption

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The guidance is effective for interim and annual periods beginning after December 15, 2017. The core principal of the updated guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The standard excludes from its scope the accounting for insurance contracts, financial instruments, and certain other agreements that are governed under other GAAP guidance. The Company plans to adopt the new revenue guidance effective January 1, 2019 using the modified retrospective approach. The Company expects that revenue from renewal commissions received from the sale of unaffiliated carrier products will be recognized sooner under the new guidance than under the current revenue recognition pattern. At adoption, the Company anticipates a cumulative effect adjustment that will increase retained earnings by approximately \$10 million.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance requires changes to the current financial instruments reporting model and is effective for interim and annual periods beginning after December 15, 2018. The Company expects that the primary effects of the new guidance will be around the accounting for equity investments. All equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification for changes in fair value reported in other comprehensive income (loss) for equity securities with readily determinable fair values. Under the new guidance, changes in the fair value of equity securities will be reported as net realized investment gains (losses) in the Company's consolidated statement of operations. The impact is not expected to be material to the Company's results of operations or financial position as the Company holds no investment positions in this category.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842): Accounting for Leases*. The guidance is effective for interim and annual periods beginning after December 15, 2019. The new guidance requires a lessee to recognize "right-of-use" assets and liabilities for leases with lease terms of more than 12 months including those historically accounted for as operating leases. The effect of the new guidance will be an increase for the present value of remaining lease payments for leases in place at the adoption date in assets and liabilities. This is not expected to have a material impact to the Company's results of operations or financial position, based on the magnitude of our current two operating leases.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*). The new guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For substantially all financial assets, the ASU should be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings. For previously impaired debt securities and certain debt securities acquired with evidence of credit quality deterioration since origination, the new guidance should be applied prospectively. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions,

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 1—Summary of Significant Accounting Policies (Continued)

and reasonable and supportable forecasts. The new guidance requires that an other-than-temporary impairment (“OTTI”) on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses. The guidance also requires enhanced disclosures. The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In November 2016, the FASB issued new guidance on restricted cash (ASU 2016-18, *Statement of Cash Flows (Topic 230)*): The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance requires the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance does not provide definitions of restricted cash and restricted cash equivalents. Based upon the low level of restricted cash the company owns, the impact of this standard when adopted is not expected to be material to the Company’s cash flows.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)*. Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. GAAP requires the remeasurement of deferred tax assets and liabilities due to a change in the tax rate to be included in net income (loss), even if the related income tax effects were originally recognized in Accumulated other comprehensive income (AOCI). The ASU allows a reclassification from AOCI to Retained earnings for stranded tax effects resulting from the new U.S. Federal corporate income tax rate enacted on December 22, 2017. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company calculated the amount of stranded tax effect of approximately \$1.7 million. The adjustment will have a material effect on AOCI and an immaterial effect on retained earnings.

In August 2018, the FASB issued ASU No. 2018-12, *Targeted Improvements to the Accounting for Long-Duration Insurance Contracts*. The guidance is effective for interim and annual periods beginning after December 15, 2021. Early adoption is permitted. The FASB issue amends the accounting model under GAAP for certain long-duration insurance contracts and requires insurers to provide additional disclosures in annual and interim reporting periods. The amendments are aimed at improving the following four key areas of financial reporting, measurement of the liability for future policy benefits related to nonparticipating traditional and limited-payment contracts, measurement and presentation of market risk benefits, amortization of deferred acquisition costs (DAC), and presentation and disclosures. The Company expects the impact to be material and is in the process of quantifying the impact of this standard.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. The FASB issued these amendments as part of its disclosure framework project, which has an objective and primary focus to improve the effectiveness of disclosures in the notes to financial statements. The guidance modifies fair value disclosures for both public and private companies, removing some disclosure requirements and modifying others. In addition, public companies are subject to some new disclosure requirements. The Company is in the process of evaluating the impact of this standard.

In August 2018, the FASB issued new guidance on implementation costs in a cloud computing arrangement that is a service contract (ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*). The new guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. The new guidance can be applied either prospectively to eligible costs incurred on or after the guidance is first applied, or retrospectively to all periods presented. The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets. The Company is in the process of evaluating the impact of this standard.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 2—Investments

The Company continuously monitors its investment strategies and individual holdings with consideration of current and projected market conditions, the composition of the Company's liabilities, projected liquidity and capital investment needs, and compliance with investment policies and state regulatory guidelines.

Available-for-Sale Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value, and OTTI loss included in AOCI of fixed maturities and equity securities available-for-sale are as follows:

	December 31, 2018				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	OTTI Losses
Fixed maturities, available-for-sale					
U.S. government and agencies	\$ 11,459	\$ 1,181	\$ (129)	\$ 12,511	\$ —
U.S. agency mortgage-backed	32,811	332	(562)	32,581	—
State and political subdivisions	23,334	694	(117)	23,911	—
Corporate and miscellaneous	155,372	5,972	(4,428)	156,916	—
Foreign government	131	11	—	142	—
Residential mortgage-backed securities	9,786	374	(75)	10,085	(269)
Commercial mortgage-backed securities	16,409	56	(313)	16,152	—
Asset-backed securities	55,001	117	(830)	54,288	—
Total fixed maturities, available-for-sale	<u>\$304,303</u>	<u>\$ 8,737</u>	<u>\$ (6,454)</u>	<u>\$306,586</u>	<u>\$(269)</u>
Equity security, available-for-sale					
Corporate and miscellaneous	<u>\$ 99</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 99</u>	<u>\$ —</u>

	December 31, 2017				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	OTTI Losses
Fixed maturities, available-for-sale					
U.S. government and agencies	\$ 14,312	\$ 1,526	\$ (24)	\$ 15,814	\$ —
U.S. agency mortgage-backed	34,728	670	(167)	35,231	—
State and political subdivisions	17,733	1,013	(29)	18,717	—
Corporate and miscellaneous	188,784	15,209	(180)	203,813	—
Foreign government	132	31	—	163	—
Residential mortgage-backed securities	4,064	503	(19)	4,548	(159)
Commercial mortgage-backed securities	12,715	127	(74)	12,768	—
Asset-backed securities	46,498	217	(101)	46,614	—
Total fixed maturities, available-for-sale	<u>\$318,966</u>	<u>\$ 19,296</u>	<u>\$ (594)</u>	<u>\$337,668</u>	<u>\$(159)</u>
Equity security, available-for-sale					
Corporate and miscellaneous	<u>\$ 109</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 109</u>	<u>\$ —</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 2—Investments (Continued)

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturities of mortgage-backed and asset-backed securities may be substantially shorter than their contractual maturity because they may require monthly principal installments and such loans may prepay principal. The amortized cost and fair value of fixed maturities available-for-sale by contractual maturity, are presented in the following table:

	December 31, 2018	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 7,395	\$ 7,434
Due after one year through five years	53,759	54,239
Due after five years through ten years	41,125	40,866
Due after ten years	85,398	88,461
Securities not due at a single maturity date—primarily mortgage and asset-backed securities	116,626	115,586
Total fixed maturities, available-for-sale	<u>\$304,303</u>	<u>\$306,586</u>

Fixed maturities with a carrying value of \$4,678 and \$4,736 were on deposit with governmental authorities as required by law at December 31, 2018 and 2017, respectively.

The Company's fixed maturities portfolio was primarily composed of investment grade securities, defined as a security having a rating of Aaa, Aa, A, or Baa from Moody's, AAA, AA, A, or BBB from Standard & Poor's, or National Association of Insurance Commissioners (NAIC) rating of NAIC 1 or NAIC 2. Investment grade securities comprised 94.0% and 90.7% of the Company's total fixed maturities portfolio at December 31, 2018 and 2017, respectively.

Mortgage Loans

The Company makes investments in commercial mortgage loans. The Company, along with other investors, owns a pro rata share of each loan. The Company participates in 30 such investment instruments with ownership shares ranging from 3.1% to 30.0% of the trust at December 31, 2018. The Company owns a share of 266 mortgage loans with a loan average balance of \$192 and a maximum exposure related to any single loan of \$555. Mortgage loan holdings are diversified by geography and property type as follows:

	December 31, 2018		December 31, 2017	
Property Type:	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Retail	\$16,081	31.5%	\$14,248	33.0%
Office	12,446	24.4%	9,931	23.0%
Industrial	7,742	15.2%	7,041	16.3%
Mixed use	6,526	12.8%	6,176	14.3%
Apartments	4,118	8.1%	2,860	6.6%
Medical office	2,905	5.7%	2,422	5.6%
Other	1,248	2.3%	442	1.2%
Gross carrying value of mortgage loans	51,066	<u>100.0%</u>	43,120	<u>100.0%</u>
Valuation allowance	(236)		(268)	
Net carrying value of mortgage loans	<u>\$50,830</u>		<u>\$42,852</u>	

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 2—Investments (Continued)

	December 31, 2018		December 31, 2017	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
U.S. Region:				
West South Central	\$12,223	23.9%	\$10,630	24.7%
East North Central	11,262	22.1%	9,236	21.3%
South Atlantic	12,105	23.7%	11,074	25.7%
West North Central	4,067	8.0%	3,148	7.3%
Mountain	4,357	8.5%	3,398	7.9%
Middle Atlantic	2,714	5.3%	2,093	4.9%
East South Central	2,903	5.7%	2,751	6.4%
New England	144	0.3%	400	0.9%
Pacific	1,291	2.5%	390	0.9%
Gross carrying value of mortgage loans	51,066	100.0%	43,120	100.0%
Valuation allowance	(236)		(268)	
Net carrying value of mortgage loans	<u>\$50,830</u>		<u>\$42,852</u>	

During the years ended December 31, 2018 and 2017, \$12,328 and \$14,174 of new mortgage loans were purchased respectively, which did not include second lien mortgage loans. There were no taxes, assessments, or any amounts advanced that were not included in the mortgage loan balances at December 31, 2018 and 2017. At December 31, 2018, and 2017 the Company had 6 and 7 mortgage loans with a total carrying value of \$617 and \$704 that were in a restructured status, respectively. There were no impairments for mortgage loans in 2018 and 2017.

The changes in the valuation allowance for commercial mortgage loans were as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Beginning balance	\$ 268	\$ 490
Net decrease in valuation allowance	(32)	(222)
Ending balance	<u>\$ 236</u>	<u>\$ 268</u>

At December 31, 2018 and 2017, the Company had no mortgage loans that were on nonaccrual status.

At December 31, 2018 and 2017, the Company had a commitment to make investments in mortgage loans in the amount of \$4,397 and \$2,095, respectively.

Limited Partnerships

The carrying value of limited partnerships at December 31, 2018 and 2017 was \$118 and \$899, which includes undistributed earnings of \$(59) and \$(96), respectively. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of \$119 and \$119 at December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, the Company's limited partnerships holdings included one hedge fund of funds investment, respectively, which consists of a diversified group of managers with multiple strategies being employed.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 2—Investments (Continued)
Net Investment Income

The sources of net investment income are as follows:

	Year Ended December 31,	
	2018	2017
Interest from:		
Fixed maturities—available-for-sale	\$13,567	\$13,933
Policyholder loans	335	226
Mortgage loans	2,224	1,989
Cash and cash equivalents	125	90
Dividends on equity securities	397	456
Gross investment income	16,648	16,694
Investment expense	(1,547)	(1,575)
Net investment income	<u>\$15,101</u>	<u>\$15,119</u>

Investment expenses include investment management fees, some of which include incentives based on market performance, custodial fees and internal costs for investment-related activities.

Realized Investment (Losses) Gains

The sources of realized investment (losses) gains are as follows:

	Year Ended December 31,	
	2018	2017
Investment (losses) gains from:		
Fixed maturities—available-for-sale	\$ 134	\$ 843
Equity securities, trading	(1,140)	(609)
Mortgage loans valuation allowance	32	214
Limited partnerships	59	145
Investment expenses	(52)	(22)
Total net realized investment (losses) gains	<u>\$ (967)</u>	<u>\$ 571</u>

Other-Than-Temporary Declines in Fair Value

The Company regularly reviews its investments portfolio for factors that may indicate that a decline in the fair value of an investment is other-than-temporary. A fixed maturity security is other-than-temporarily impaired if the fair value of the security is less than its amortized cost basis and the Company either intends to sell the fixed maturity security or it is more likely than not the Company will be required to sell the fixed maturity security before recovery of its amortized cost basis. For all other securities in an unrealized loss position in which the Company does not expect to recover the entire amortized cost basis, the security is deemed to be other-than-temporarily impaired for credit reasons.

Significant judgment is required in the determination of whether an OTTI loss has occurred for a security. The Company has developed a consistent methodology and has identified significant inputs for determining whether an OTTI loss has occurred. Some of the factors considered in evaluating whether a decline in fair value is other-than-temporary are the financial condition and prospects of the issuer, payment status, the probability of collecting scheduled principal and interest payments when due, credit ratings of the securities, and the duration and severity of the decline.

The credit loss component of a fixed maturity security impairment is calculated as the difference between amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate of cash flows discounted at the effective rate implicit to the security at the date of purchase or prior

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 2—Investments (Continued)

impairment. The methodology and assumptions for estimating the cash flows vary depending on the type of security. For mortgage-backed and asset-backed securities, cash flow estimates, including prepayment assumptions, are based on data from widely accepted third-party sources or internal estimates. In addition to prepayment assumptions, cash flow estimates vary based on assumptions regarding the underlying collateral characteristics, expectations of delinquency and default rates, and structural support, including subordination and guarantees. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss exists and the security is considered to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is determined to be other-than-temporarily impaired for credit reasons and is recognized as an OTTI loss in earnings. The non-credit component, determined as the difference between the adjusted amortized cost basis and fair value, is recognized as OTTI in other comprehensive (loss) income.

A roll forward of the cumulative credit losses on fixed maturity securities are as follows:

	Year Ended December 31,	
	2018	2017
Beginning balance of credit losses on fixed maturity securities	\$828	\$828
Reduction of credit losses related to securities sold during period	—	—
Ending balance of credit losses on fixed maturity securities	<u>\$828</u>	<u>\$828</u>

Unrealized Losses for Fixed Maturities and Equity Securities

The Company's fair value and gross unrealized losses for fixed maturities and equity securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous gross unrealized loss position are as follows:

December 31, 2018	Less than 12 months		12 months or longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Fixed maturity securities						
U.S. government and agencies	\$ 1,991	\$ (82)	\$ 1,469	\$ (47)	\$ 3,460	\$ (129)
U.S. agency mortgage-backed	11,420	(171)	12,565	(391)	23,985	(562)
State and political subdivision	5,420	(63)	2,416	(54)	7,836	(117)
Corporate and miscellaneous	62,162	(3,359)	7,310	(1,068)	69,472	(4,427)
Residential mortgage-backed	4,667	(53)	621	(22)	5,288	(75)
Commercial mortgage-backed	4,948	(117)	4,357	(197)	9,305	(314)
Asset-backed securities	35,372	(703)	6,325	(126)	41,697	(829)
Total fixed maturities	<u>\$125,980</u>	<u>\$ (4,548)</u>	<u>\$ 35,063</u>	<u>\$ (1,905)</u>	<u>\$161,043</u>	<u>\$ (6,453)</u>

December 31, 2017	Less than 12 months		12 months or longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Fixed maturity securities						
U.S. government and agencies	\$ 3,092	\$ (24)	\$ —	\$ —	\$ 3,092	\$ (24)
U.S. agency mortgage-backed	11,544	(71)	3,705	(96)	15,249	(167)
State and political subdivision	2,452	(29)	—	—	2,452	(29)
Corporate and miscellaneous	14,322	(178)	385	(2)	14,707	(180)
Residential mortgage-backed	728	(18)	10	(1)	738	(19)
Commercial mortgage-backed	2,795	(31)	1,701	(43)	4,496	(74)
Asset-backed securities	7,151	(47)	2,434	(54)	9,585	(101)
Total fixed maturities	<u>\$ 42,084</u>	<u>\$ (398)</u>	<u>\$ 8,235</u>	<u>\$ (196)</u>	<u>\$ 50,319</u>	<u>\$ (594)</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
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Note 2—Investments (Continued)

The indicated gross unrealized losses in all fixed maturity categories increased to \$6,453 from \$594 at December 31, 2018 and 2017, respectively. The Company did not have any equity securities in a loss position at December 31, 2018 and 2017, respectively. Based on the Company's current evaluation of its fixed maturities in an unrealized loss position in accordance with our impairment policy, and the Company's current intentions regarding these securities, the Company concluded that these securities were not other-than-temporarily impaired.

Information and concentrations related to fixed maturities and equity securities in an unrealized loss position are included below. The tables below include the number of fixed maturities and equity securities in an unrealized loss position for greater than and less than 12 months and the percentage that were investment grade at December 31, 2018.

	Unrealized Losses less than 12 months				
	Number of Securities				
	Total	Impairment is Less than 10% of Amortized Cost	Impairment is Between 10% and 20% of Amortized Cost	Impairment is Greater than 20% of Amortized Cost	Percent Investment Grade
Fixed maturity securities					
U.S. government and agencies	1	1	—	—	100%
U.S. agency mortgage-backed	18	18	—	—	100%
State and political subdivision	14	14	—	—	100%
Corporate and miscellaneous	174	156	18	—	45%
Residential mortgage-backed	16	16	—	—	88%
Commercial mortgage-backed	4	4	—	—	100%
Asset-backed securities	56	56	—	—	96%
Total fixed maturities	283	265	18	—	

	Unrealized Losses greater than 12 months				
	Number of Securities				
	Total	Impairment is Less than 10% of Amortized Cost	Impairment is Between 10% and 20% of Amortized Cost	Impairment is Greater than 20% of Amortized Cost	Percent Investment Grade
Fixed maturity securities					
U.S. government and agencies	2	2	—	—	100%
U.S. agency mortgage-backed	19	19	—	—	100%
State and political subdivision	9	9			100%
Corporate and miscellaneous	21	11	8	2	38%
Residential mortgage-backed	4	4	—	—	75%
Commercial mortgage-backed	3	3	—	—	100%
Asset-backed securities	13	13	—	—	92%
Total fixed maturities	71	61	8	2	

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 3—Intangible Assets

Intangible assets, net, consist of the following:

	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017	2018	2017
	Gross Carrying Amount		Accumulated Amortization		Intangible Assets	
Trademark	\$1,635	\$1,635	\$ —	\$ —	\$1,635	\$1,635
Technology	5,095	5,095	(5,014)	(4,850)	81	245
Customer relationships	560	560	(560)	(560)	—	—
Other	605	605	(605)	(605)	—	—
Total	\$7,895	\$7,895	\$(6,179)	\$(6,015)	\$1,716	\$1,880

Estimated amortization expense for intangible assets for the next five years is as follows:

2019	\$ 81
2020	—
2021	—
2022	—
2023	—
Thereafter	—
Total	\$ 81

Amortization expense for the years ended December 31, 2018 and 2017 was \$164 and \$163, respectively.

Note 4—Deferred Acquisition Costs

Policy acquisition costs deferred primarily consist of commissions on sales, policy underwriting and issuance costs, and variable sales and marketing costs. Annually, the Company reviews the assumptions and experience underlying the expected gross margins for policies accounted for as investment contracts, which may or may not result in the recognition of unlocking adjustments.

The deferred policy acquisition costs and changes are as follows:

	December 31, 2018	December 31, 2017
Beginning balance	82,319	81,233
Acquisition costs deferred	13,754	12,012
Amortization	(11,506)	(10,926)
Ending balance	<u>\$ 84,567</u>	<u>\$ 82,319</u>

Note 5—Income Taxes

On December 22, 2017, the Tax Cut and Jobs Act Bill “H.R.1” was enacted, which, among other things, reduced the federal tax rate for corporations to 21% and eliminated net operating loss carrybacks effective January 1, 2018. Upon enactment, the Company reduced its net deferred tax asset by \$9,608 and decreased the valuation allowance by \$6,559 resulting in a write-down of the net deferred tax asset through a charge to income tax expense in 2017 of \$3,049.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
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Note 5—Income Taxes (Continued)

Reconciliations between income taxes based on the combined federal and state income tax rates and the effective tax rate are as follows:

	Year Ended December 31,	
	2018	2017
(Loss) income before income taxes	\$(16,197)	\$(10,942)
Statutory rate	21%	34%
Income tax (benefit) expense at statutory rate	(3,401)	(3,720)
Effect of:		
Increase (decrease) in the valuation allowance	889	(237)
Change related to tax rate on ending net deferred tax assets	—	3,049
Other	162	(1,793)
Income tax (benefit) expense	<u>\$ (2,350)</u>	<u>\$ (2,701)</u>

The components of income tax (benefit) expense are as follows:

	Year Ended December 31,	
	2018	2017
Income tax applicable to:		
Current	\$ 683	\$ (641)
Deferred (net of (decrease) in allowance: 2018—\$889, 2017—\$(6,795)	(3,033)	(2,060)
Ending balance	<u>\$(2,350)</u>	<u>\$(2,701)</u>

During 2018, the Company completed the collection, preparation and analysis of data relevant to the Tax Act of 2017, and interpreted any additional guidance issued by the IRS, U.S. Department of the Treasury and recorded no additional expense in 2018 related to the tax law changes.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 5—Income Taxes (Continued)

The components of the net deferred income tax assets are as follows:

	Year Ended December 31,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforward attributable to non-life companies:	\$ 13,871	\$ 12,961
Reinsurance assets	46,777	41,962
Policyholder dividend obligation	1,970	2,330
Policyholder dividend	259	253
Commission receivable allowance	63	65
Incentive compensation	326	162
Other	4,879	3,060
Total deferred tax assets	68,145	60,793
Valuation allowance	(11,484)	(10,595)
Total deferred income tax assets	56,661	50,198
Deferred tax liabilities:		
Life insurance reserves	33,979	29,753
Deferred policy acquisition cost	9,567	10,288
Net unrealized investment gains	191	4,052
Intangible assets	361	395
Basis difference—investments	539	321
Fixed Assets	1,155	29
Other	206	435
Total deferred tax liabilities	45,998	45,273
Deferred income tax assets, net	<u>\$ 10,663</u>	<u>\$ 4,925</u>

The Company established a valuation allowance for the net deferred tax assets of the companies included in the non-life sub-group because management believes that it is more likely than not that the deductions will not be recognized for tax purposes based on the current history of tax losses for the non-life sub-group.

The Company's net operating loss carryforwards are as follows:

	Life Sub-Group	Non-Life Sub-Group	Total
Year net operating loss expires			
2020	—	1,229	1,229
2021	—	5,249	5,249
2022	—	5,057	5,057
2023	—	3,061	3,061
2024	—	1,708	1,708
2025	—	8,121	8,121
2026	—	5,361	5,361
2027	—	2,539	2,539
2028	—	1,099	1,099
2029	—	13,527	13,527
2030	—	5,311	5,311
2031	—	5,267	5,267
2032	—	4,266	4,266
2033	—	4,258	4,258
	<u>\$ —</u>	<u>\$ 66,053</u>	<u>\$66,053</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 5—Income Taxes (Continued)

For 2018, the Company generated \$3,649 of taxable income which, to the extent possible, was offset by net operating loss carryforwards arising in prior years. For 2017, the Company generated \$983 of taxable income which was offset by a reduction of net operating loss carryforwards arising in prior years.

The Company has no unrecognized tax benefits for the years ended December 31, 2018 and 2017, and the Company does not expect the unrecognized tax benefits to increase in the next 12 months. The Company records penalties and interest related to unrecognized tax benefits within income tax expense.

Note 6—Policy Liabilities
Future Policy Benefits

Future policy benefits represent the reserve for direct and assumed traditional life insurance policies and annuities in payout status.

The annuities in payout status are certain structured settlement contracts. The policy liability for structured settlement contracts of \$16,145 and \$18,099 at December 31, 2018 and 2017, respectively, is computed as the present value of contractually-specified future benefits. The amount included in the policy liability for structured settlements that are life contingent at December 31, 2018 and 2017, is \$11,258 and \$12,812, respectively.

To the extent that unrealized gains on fixed income securities would result in a premium deficiency had those gains actually been realized, a premium deficiency reserve is recorded. A liability of \$2,001 and \$3,643 is included as part of the liability for structured settlements with respect to this deficiency at December 31, 2018 and 2017, respectively. The offset to this liability is recorded as a reduction of the unrealized capital gains included in AOCI.

Participating life insurance in force was 21.9% and 29.5% of the face value of total life insurance in force at December 31, 2018 and 2017, respectively.

Note 7—Reinsurance

The Company uses reinsurance to mitigate exposure to potential losses, provide additional capacity for growth, and provide greater diversity of business. For ceded reinsurance, the Company remains liable to the extent that reinsuring companies may not be able to meet their obligations under the reinsurance agreements. To manage the risk from failure of a reinsurer to meet its obligations, the Company periodically evaluates the financial condition of all of its reinsurers. No amounts have been recorded in 2018 and 2017 for amounts anticipated to be uncollectible or for the anticipated failure of a reinsurer to meet its obligations under the contracts.

Reinsurance recoverable is as follows:

	At December 31,	
	2018	2017
Ceded future policy benefits	\$117,035	\$116,923
Claims and other amounts recoverable	19,566	26,992
Ending balance	<u>\$136,601</u>	<u>\$143,915</u>

The reconciliation of direct premiums to net premiums is as follows:

	Year Ended December 31,	
	2018	2017
Direct premiums	\$142,641	\$142,823
Assumed premiums	20,770	19,032
Ceded premiums	(74,838)	(78,982)
Net insurance premiums	<u>\$ 88,573</u>	<u>\$ 82,873</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 7—Reinsurance (Continued)

Net policy charges on universal life products were \$169 and \$176 for the Year ended December 31, 2018 and 2017, respectively, and are included in other income.

At December 31, 2018 and 2017, reserves related to fixed-rate annuity deposits assumed from a former affiliate company amounted to approximately \$83,299 and \$88,724, respectively, and are included with policyholder account balances in the consolidated balance sheets.

Note 8—Retirement and Executive Compensation Plans

The Company sponsors a defined contribution 401(k) plan covering substantially all employees. For the years ended December 31, 2018 and 2017, The Company's expenses were \$689 and \$582, respectively. These expenses were recorded as part of general operating expenses in the consolidated statements of operations.

The Company has established a nonqualified deferred compensation plan under which participants can elect to defer a portion of current compensation. Eligible participants are members of the Company's Board of Directors and certain members of the Company's management.

The Vericity long term incentive plan (LTIP) covers certain members of management and the Company's Board of Directors and provides that annual grants of award units can be made to the plan participants. The form of the specific grant, the performance requirements to earn the awards, the vesting period, and other key terms are specified in the annual grant agreement. All grants under the LTIP are approved by the Board of Directors.

The value of award units at each measurement date is determined by dividing the initial units (as defined in the LTIP) into the adjusted book value of Vericity at the measurement date. This formula is used to determine the estimated value of the outstanding award units and to determine the amount of bonus compensation for the period or the amount of any bonus payments to be made.

The LTIP awards are settled in cash and require the fair value of unsettled or unvested awards to be re-measured at the end of each reporting period and accordingly, the liability and corresponding expense are adjusted until the award is settled.

For the years ended December 31, 2018 and 2017, the Company recorded compensation expense related to the LTIP grants of \$967 and \$625, respectively. These expenses were recorded as part of general operating expenses in the consolidated statements of operations.

In 2018 and 2017, the Company paid out grant awards in the amount of \$753 and \$950, respectively. At December 31, 2018 and 2017, the liability for unpaid awards that had vested was \$1,004 and \$712, respectively.

The LTIP award activity is as follows (in thousands, except unit value and grant unit):

	<u>Grant Units</u>	<u>Unit Value</u>	<u>Value of Grants</u>
Outstanding at January 1, 2018	249,262	\$ 6.80	\$ 1,694
Awards granted	203,676	6.80	1,385
Vested grants	(139,529)	5.97	(833)
Unit value adjustment	—	—	(375)
Outstanding at December 31, 2018	<u>313,409</u>	<u>\$ —</u>	<u>\$ 1,871</u>

Note 9—Closed Block

The Closed Block was formed at October 1, 2006 and contains all participating policies issued or assumed by Fidelity Life. The assets and future net cash flows of the Closed Block are available only for purposes of paying benefits, expenses and dividends of the Closed Block and are not available to the Company, except for an amount of additional funding that was established at the inception of the Closed Block. The additional funding was designed to protect the block against future experience, and if the funding is not required for that purpose, is subject to reversion to the Company in the future. Any reversion of Closed Block assets to the Company must be approved by the Illinois Department of Insurance (IDOI).

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 9—Closed Block (Continued)

In October 2011, the IDOI approved a reversion of a portion of the initial funding that the Company had determined was not required to fund the Closed Block. The carrying value of the assets transferred from the Closed Block on October 31, 2011, the date of transfer, was \$4,397.

The assets and liabilities within the Closed Block are included in the Company's consolidated financial statements on the same basis as other accounts of the Company. The maximum future earnings and accumulated other comprehensive income to be recognized from Closed Block assets and liabilities represent the estimated future Closed Block profits that will accrue to the Company and is calculated as the excess of Closed Block liabilities over Closed Block assets. Included in Closed Block assets at December 31, 2018 and 2017 is \$9,541 and \$9,229 of additional Closed Block funding, plus accrued interest, that is eligible for reversion to the Company if not needed to fund Closed Block experience, respectively.

The Closed Block was funded based on a model developed to forecast the future cash flows of the Closed Block, which is referred to as the actuarial calculation. The actuarial calculation projected the anticipated future cash flows of the Closed Block as established at the initial funding. We compare the actual results of the Closed Block to expected results from the actuarial calculation as part of the annual assessment of the current level of policyholder dividends. The assessment of policyholder dividends includes projections of future experience of the Closed Block. The review of Closed Block experience also includes consideration of whether a policy dividend obligation should be recorded to reflect favorable Closed Block experience that has not yet been reflected in the dividend scales. At December 31, 2018 and 2017, the Company recognized a policyholder dividend obligation of \$9,383 and \$11,097, respectively, resulting from the excess of actual cumulative earnings over the expected cumulative earnings, and from accumulated net unrealized investment gains that have arisen subsequent to the establishment of the Closed Block.

The impacts on the Company's comprehensive (loss) income from recognizing a policyholder dividend obligation are as follows:

	Year Ended December 31,	
	2018	2017
Actual cumulative (loss) income earnings over expected cumulative earnings	\$(8,668)	\$(8,621)
Income tax (benefit) expense	(1,820)	(2,931)
Net (loss) income impact	<u>(6,848)</u>	<u>(5,690)</u>
Accumulated net unrealized investment (losses) gains	(715)	(2,476)
Income tax (benefit) expense	(150)	(842)
Other comprehensive (loss) income impact	(565)	(1,634)
Comprehensive (loss) income impact	<u><u>\$(7,413)</u></u>	<u><u>\$(7,324)</u></u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
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Note 9—Closed Block (Continued)

Information regarding the Closed Block liabilities (assets) designated to the Closed Block is as follows:

	Year Ended December 31,	
	2018	2017
Closed Block Liabilities		
Future policy benefits and claims	\$58,468	\$ 74,540
Policyholder account balances	8,147	8,655
Other policyholder liabilities	3,856	5,837
Policyholder dividend obligation	9,383	11,097
Other (assets) liabilities	(1,061)	5,014
Total Closed Block liabilities	78,793	105,143
Assets Designated to the Closed Block		
Investments		
Fixed maturity securities—available-for-sale (amortized cost \$34,631 and \$36,080, respectively)	36,104	39,763
Policyholder loans	1,321	1,490
Total investments	37,425	41,253
Cash and cash equivalents	2,664	3,330
Premiums due and uncollected	2,595	4,655
Accrued investment income	450	475
Reinsurance recoverables	36,900	54,933
Deferred income tax assets	5,314	5,783
Total assets designated to the Closed Block	85,348	110,429
Excess of Closed Block assets over liabilities	6,555	5,286
Amounts included in accumulated other comprehensive income:		
Unrealized investment gains (losses), net of income tax	1,164	2,430
Allocated to policyholder dividend obligation, net of income tax	(565)	(1,634)
Total amounts included in accumulated other comprehensive income	599	796
Maximum future earnings and accumulated other comprehensive income to be recognized from Closed Block assets and liabilities (includes excess assets of \$9,541 and \$9,229, respectively.)	<u>\$ (5,956)</u>	<u>\$ (4,490)</u>

Information regarding the policyholder dividend obligation is as follows:

	December 31, 2018	December 31, 2017
Beginning Balance	\$ 11,097	\$ 9,652
Impact from earnings allocable to policyholder dividend obligation	47	987
Change in net unrealized investment (losses) gains allocated to policyholder dividend obligation	(1,761)	458
Ending Balance	<u>\$ 9,383</u>	<u>\$ 11,097</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 9—Closed Block (Continued)

Information regarding the Closed Block revenues and expenses is as follows:

	Year Ended December 31,	
	2018	2017
Revenues:		
Life insurance premiums	\$5,525	\$ 4,889
Net investment income	1,611	1,734
Realized investment gains	38	161
Total revenues	<u>7,174</u>	<u>6,784</u>
Benefits and expenses:		
Life and annuity benefits—including policyholders dividends of \$1,209 and \$2,081, respectively	5,044	3,692
Interest credited to policyholder account balances	207	223
General operating expenses	(127)	(2,125)
Total expenses	5,124	1,790
Revenues, net of expenses before provision for income tax expense	2,050	4,994
Income tax expense	430	5,143
Revenues, net of expenses and provision for income tax expense	<u>\$1,620</u>	<u>\$ (149)</u>

The Company charges the closed block with federal income taxes and state and local premium taxes, as well as investment management expenses relating to the closed block as provided in the Closed Block Memorandum. The Company also charges the closed block for expenses of maintaining the policies included in the closed block.

The following table presents the amortized cost and fair value of the Closed Block fixed maturity securities portfolio by contractual maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

At December 31, 2018	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 820	\$ 820
Due after one year through five years	10,016	10,098
Due after five years through ten years	7,450	7,474
Due after ten years	14,782	16,144
Securities not due at a single maturity date—primarily mortgage and asset-backed securities	1,563	1,568
Total fixed maturities	<u>\$ 34,631</u>	<u>\$ 36,104</u>

Note 10—Regulatory Matters

Minimum Capital and Surplus Requirements

Members Mutual and Fidelity Life are required to comply with the provisions of state insurance statutes in the jurisdictions in which they do business. These statutes include minimum capital and surplus requirements. At December 31, 2018, Members Mutual and Fidelity Life exceeded the minimum capital and surplus level of \$2,000 required by Illinois, their state of domicile.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 10—Regulatory Matters (Continued)

Risk-Based Capital Requirements

The NAIC established a standard for assessing the solvency of insurance companies using a formula for determining each insurer's risk-based capital (RBC). At December 31, 2018, the RBC of the Company's insurance subsidiary, Fidelity Life, exceeded the levels at which certain regulatory corrective actions would be initiated. Members Mutual, as a mutual insurance holding company, is not subject to the NAIC's RBC requirements.

Dividend Limitations

The maximum amount of dividends that can be paid by Illinois life insurance companies to shareholders without 30 days prior notice to the Director of the IDOI is the greater of (i) statutory net income for the preceding year or (ii) 10% of statutory surplus as of the preceding year-end. However, under State of Illinois insurance statutes, dividends may be paid only from surplus, excluding unrealized appreciation in value of investments without prior approval. All dividends paid by Fidelity Life must be reported to the IDOI prior to payment.

Fidelity Life declared and paid dividends in the amount of \$7,000 during the twelve months ended December 31, 2018 and 2017, respectively.

Members Mutual has an unassigned deficit at December 31, 2018 and, as a result, is unable to pay dividends without prior approval of the IDOI. There were no dividends approved or paid during the twelve months ended December 31, 2018 and 2017.

Statutory Accounting Practices

Members Mutual and Fidelity Life prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the IDOI. The IDOI requires that insurance companies domiciled in Illinois prepare their statutory-basis financial statements in accordance with the NAIC's Accounting Practices and Procedures Manual, as modified by the IDOI. In addition, the IDOI has a right to permit other specific practices that may deviate from prescribed practices. Fidelity Life adopted a practice permitted by the IDOI that increased surplus by \$2,000 at December 31, 2018 and 2017. The permitted practice allows Fidelity Life to carry a guarantee fund note receivable from Members Mutual as an admitted asset, rather than non-admitting the note as required by the NAIC statutory accounting principles.

Statutory Financial Information

The statutory capital and surplus and net income (loss) for Fidelity Life and Members Mutual, as determined in accordance with statutory accounting practices prescribed or permitted by the IDOI, at December 31, 2018 and 2017, and for the years ended December 31, 2018 and 2017, are as follows:

	At December 31,	
	2018	2017
Statutory capital and surplus		
Fidelity Life	\$121,866	\$127,605
Members Mutual	2,028	2,020
	Year Ended December 31,	
	2018	2017
Statutory net income (loss)		
Fidelity Life	\$ 2,295	\$ 1,018
Members Mutual	3	(6)

Members Mutual Holding Company
Notes to Consolidated Financial Statements
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Note 11—Commitments and Contingencies**Leases**

Minimum future operating lease payments, including lease payments for real estate, vehicles, computers and office equipment at December 31, 2018 are as follows:

Year	
2019	\$1,225
2020	1,268
2021	787
2022	705
2023	59
Total	<u>\$4,044</u>

Lease expense for the years ended December 31, 2018 and 2017 was \$1,531 and \$1,516, respectively.

Litigation

The Company is subject to legal and regulatory actions in the ordinary course of its business. Management does not believe such litigation will have a material impact on the Company's financial statements. The Company establishes accruals for litigation and regulatory matters when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. For litigation and regulatory matters where a loss may be reasonably possible but not probable or, is probable but not reasonably able to be estimated, no accrual is established, but the matter, if material, is disclosed. The Company is not aware of any material legal or regulatory matters threatened or pending against the Company.

Debt

The Company is a member of the FHLBC. As a member, the Company is able to borrow on a collateralized basis from FHLBC which can be used as an alternative source of liquidity. FHLBC membership requires the Company to own member stock. At December 31, 2018 the Company held \$99 of FHLBC common stock which allows the Company to borrow up to \$2,206. Interest on borrowed funds is charged at variable rates established from time to time by FHLBC and depending on the borrow option selected at the time of the borrowing. No amounts have been borrowed from the FHLBC as of December 31, 2018 and 2017.

Note 12—Assets and Liabilities Measured at Fair Value

Fair value is the estimated 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. The Company attempts to establish fair value as an exit price consistent with transactions taking place under normal market conventions. The Company utilizes market observable information to the extent possible and seeks to obtain quoted market prices for all securities. If quoted market prices in active markets are not available, the Company uses a number of methodologies to establish fair value estimates including discounted cash flow models, prices from recently executed transactions of similar securities, or broker/dealer quotes.

Fair values for the Company's fixed maturities and equity securities are determined by management, utilizing prices obtained from third party pricing services. Management reviews on an ongoing basis the reasonableness of the methodologies used by the pricing services to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. The main procedure the Company employs in fulfillment of this objective includes back-testing transactions, where past fair value estimates are compared to actual transactions executed in the market on similar dates.

The Company's assets and liabilities have been classified into a three-level hierarchy based on the priority of the inputs to the respective valuation technique. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values

Members Mutual Holding Company
Notes to Consolidated Financial Statements
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Note 12—Assets and Liabilities Measured at Fair Value (Continued)

determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Level 1 and Level 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets in active markets the Company can access. Level 1 assets include securities that are traded in an active exchange market.

Level 2 – This level includes fixed maturities priced principally by independent pricing services using observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments on inactive markets; and model-derived valuations for which all significant inputs are observable market data. Level 2 instruments include most corporate debt securities and U.S. government and agency mortgage-backed securities that are valued by models using inputs that are derived principally from or corroborated by observable market data. Level 2 instruments also include a private placement equity fund.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable. Level 3 instruments include less liquid assets for which significant inputs are unobservable in the market, such as structured securities and private placement bonds that require significant management assumptions or estimation in the fair value measurement.

This hierarchy requires the use of observable market data when available.

Certain assets are not carried at fair value on a recurring basis, including investments such as mortgage loans, intangible assets, future policy benefits excluding term life reserves and policyholder account balances. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition (for example, when there is evidence of impairment) and the resulting re-measurement is reflected in the consolidated financial statements at the reporting date.

Recurring and Non-Recurring Fair Value Measurements

The Company's assets and liabilities that are carried at fair value on a recurring and non-recurring basis, by fair value hierarchy level, are as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total Fair Value
Recurring fair value measurements				
Financial instruments recorded as assets:				
Fixed maturities, available-for-sale:				
U.S. government and agencies	\$ —	\$ 12,510	\$ —	\$ 12,510
U.S. agency mortgage-backed	—	32,582	—	32,582
State and political subdivision	—	23,911	—	23,911
Corporate and miscellaneous	1,637	142,507	12,773	156,917
Foreign government	—	142	—	142
Residential mortgage-backed securities	—	10,085	—	10,085
Commercial mortgage-backed securities	—	16,151	—	16,151
Asset-backed securities	—	53,366	922	54,288
Total fixed maturities available-for-sale	1,637	291,254	13,695	306,586
Equity security, available-for-sale	—	99	—	99
Equity securities, trading	4,823	—	—	4,823
Total recurring assets	<u>\$6,460</u>	<u>\$291,353</u>	<u>\$13,695</u>	<u>\$311,508</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 12—Assets and Liabilities Measured at Fair Value (Continued)

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Recurring fair value measurements				
Financial instruments recorded as assets:				
Fixed maturities, available-for-sale:				
U.S. government and agencies	\$ —	\$ 15,814	\$ —	\$ 15,814
U.S. agency mortgage-backed	—	35,231	—	35,231
State and political subdivision	—	18,717	—	18,717
Corporate and miscellaneous	1,934	179,589	22,290	203,813
Foreign government	—	163	—	163
Residential mortgage-backed securities	—	4,548	—	4,548
Commercial mortgage-backed securities	—	12,768	—	12,768
Asset-backed securities	—	45,614	1,000	46,614
Total fixed maturities available-for-sale	1,934	312,444	23,290	337,668
Equity security, available-for-sale	—	109	—	109
Equity securities, trading	5,596	—	—	5,596
Total recurring assets	<u>\$7,530</u>	<u>\$312,553</u>	<u>\$23,290</u>	<u>\$343,373</u>

Summary of Significant Valuation Techniques for Assets and Liabilities on a Recurring Basis

Level 1 securities include principally exchange-traded funds that are valued based on quoted market prices for identical assets.

All the fair values of the Company's fixed maturities and equity securities within Level 2 are based on prices obtained from independent pricing services. All of the Company's prices for each security are generally sourced from multiple pricing vendors, and a vendor hierarchy is maintained by asset type and region of the world, based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type and region. For fixed maturities that do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications which incorporate a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and U.S. Treasury curves. Specifically, for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Securities with validated quotes from pricing services are reflected within Level 2 of the fair value hierarchy, as they generally are based on observable pricing for similar assets or other market significant observable inputs.

Level 3 fair value classification consists primarily of investments in private placement securities where the fair value of security is determined by a pricing service using spread matrix pricing which incorporates a discounted cash flow model where one or more of the significant inputs is unobservable in the market place. The remaining securities in Level 3 consist of corporate bonds whose fair values are determined by pricing models where there is a lack of transparency to one or more significant inputs, or broker/dealer quotes. The fair value of a broker-quoted asset is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant. The Company does not adjust broker quotes when used as the fair value measurement for an asset. At December 31, 2018, the Company held one security priced using a broker/dealer quote that was within Level 3. The fair value of Level 3 liabilities is estimated on the discounted cash flow of contractual payments.

If the Company believes the pricing information received from third party pricing services is not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service. Historically, the Company has not challenged or updated the prices provided by third-party pricing services. However, any such updates by a pricing service to be more consistent with the presented market observations, or any adjustments made by the Company to prices provided by third-party pricing services would be reflected in the balance sheet for the current period.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 12—Assets and Liabilities Measured at Fair Value (Continued)

its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 or Level 2) and unobservable (Level 3). Net transfers in and/or out of Level 3 are reported as having occurred at the beginning of the period and are based on observable inputs received from pricing sources; therefore, all realized and unrealized gains and losses on these securities for the period are reflected in the table that follows. A summary of changes in fair value of Level 3 assets held at fair value on a recurring basis is as follows:

	Balance at January 1, 2018	Total gains (losses) included in:					Net Transfers	Balance at December 31, 2018
		Net Income (loss)	OCI	Purchases	Sales	Settlements		
Financial Assets								
Fixed maturities, available-for-sale								
Corporate and miscellaneous	\$ 22,290	\$ —	\$(607)	\$ —	\$ —	\$ (7,660)	\$ (1,250)	\$ 12,773
Asset-backed	1,000	—	—	—	—	(78)	—	922
Total assets	\$ 23,290	\$ —	\$(607)	\$ —	\$ —	\$ (7,738)	\$ (1,250)	\$ 13,695

	Balance at January 1, 2017	Total gains (losses) included in:					Net Transfers	Balance at December 31, 2017
		Net Income (loss)	OCI	Purchases	Sales	Settlements		
Financial Assets								
Fixed maturities, available-for-sale								
Corporate and miscellaneous	\$ 29,044	\$ 23	\$(577)	\$ —	\$(280)	\$ (7,170)	\$ 1,250	\$ 22,290
Asset-backed	—	—	—	1,000	—	—	—	1,000
Total assets	\$ 29,044	\$ 23	\$(577)	\$ 1,000	\$(280)	\$ (7,170)	\$ 1,250	\$ 23,290

The total change in unrealized investment gains (losses) presented in the preceding table represents unrealized gains (losses) only for the current year during which the applicable financial instruments were classified as Level 3. Securities may be transferred in or out of Level 3 based on the availability of observable market information used to determine the fair value of the security. There were no transfers out of Level 2 into Level 3. There was one transfer out of Level 3 into Level 2 based on observable inputs obtained from pricing sources in 2018. There were no transfers between Level 1 and Level 2 in 2018 or 2017.

The following presents quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurements of Level 3 assets. Valuations for assets and liabilities not presented in the tables below are primarily based on broker/dealer quotes for which there is a lack of transparency as to inputs used to develop the valuations. The quantitative detail of these unobservable inputs is neither provided nor reasonably available to the Company.

	Fair Value	Valuation technique	Unobservable Input(s)	Range (Weighted Average)
December 31, 2018				
Corporate and miscellaneous	\$ 12,773	Matrix pricing	Spreads off benchmark yields	99 – 110 bps (102 bps)
	Fair Value	Valuation technique	Unobservable Input(s)	Range (Weighted Average)
December 31, 2017				
Corporate and miscellaneous	\$ 21,040	Matrix pricing	Spreads off benchmark yields	58 – 148 bps (83 bps)

For the fixed maturities, an increase in spreads off benchmark yields would result in a lower fair value measurement.

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 12—Assets and Liabilities Measured at Fair Value (Continued)

Financial Instruments not Measured at Fair Value

The carrying amount and estimated fair values of the Company's financial instruments that are not measured at fair value on the consolidated balance sheets are as follows:

	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2018					
Financial instruments recorded as assets:					
Mortgage loans	\$50,830	\$ —	\$ —	\$ 46,629	\$ 46,629
Policyholder loans	5,623	—	—	7,355	7,355
Financial instruments recorded as liabilities:					
Future policy benefits, excluding term life reserves	18,774	—	—	17,090	17,090
Long/short-term debt	13,366	—	—	12,992	12,992
Policyholder account balances	\$93,051	\$ —	\$ —	\$ 88,513	\$ 88,513
	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2017					
Financial instruments recorded as assets:					
Mortgage loans	\$42,852	\$ —	\$ —	\$ 41,784	\$ 41,784
Policyholder loans	5,936	—	—	7,766	7,766
Financial instruments recorded as liabilities:					
Future policy benefits, excluding term life reserves	20,605	—	—	19,047	19,047
Long/short-term debt	—	—	—	—	—
Policyholder account balances	\$98,899	\$ —	\$ —	\$100,007	\$100,007

The following methods and assumptions were used to estimate the fair value of these financial assets and liabilities.

Mortgage Loans—Fair value was based on the discounted value of future cash flows for all first mortgage loans adjusted for specific loan risk. The discount rate was based on the rate that would be offered for similar loans at the reporting date. Fair value excludes \$3,262 and \$1,007 of second and mezzanine mortgages carried at cost which fair value is not measurable at December 31, 2018 and December 31, 2017, respectively.

Policyholder Loans—Fair value of policyholder loans are estimated using discounted cash flows using risk-free interest rates with no adjustment for borrower credit risk as these loans are fully collateralized by the cash value of the underlying insurance policy.

Future Policy Benefits and Policyholder Account Balances—For deposit liabilities with interest rate guarantees greater than one year or with defined maturities, the fair value was estimated by calculating an average present value of expected cash flows over a broad range of interest rate scenarios using the current market risk-free interest rates adjusted for spreads required for publicly traded bonds issued by comparably rated insurers. For deposit liabilities with interest rate guarantees of less than one year, the fair value was based on the amount payable on demand at the reporting date.

Long/short-term debt—Fair value was calculated using the discounted value of future cash flows method. The discount rate was based on the rate that is commensurate to the level of risk. The carrying amounts reported on the consolidated balance sheets has been divided in to short and long-term based upon expected maturity dates.

Note 13—Long and Short-term Debt

The Company has entered into a financing arrangement with an external party in January 2018, from which the Company receives an advanced commission-based payment for certain insurance segment term policies sold through the Agency segment, in exchange for a level commission that is paid by the Company over the period the policy remains

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 13—Long and Short-term Debt (Continued)

in-force. The Company's arrangement with the external party allows us to finance up to \$20 million of commission. At December 31, 2018, we had a net advance of \$13.4 million under this arrangement. The Company expects to pay back the aggregate amounts as presented in the following table.

Due in one year or less	\$ 3,072
Due after one year through two years	1,604
Due after two years through three years	1,442
Due after three years through four years	1,331
Due after four years through five years	1,250
Due after five years	10,060
Less discount	(5,393)
Total long/short-term debt	<u>\$13,366</u>

Note 14—Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive (loss) income, net of taxes are as follows:

	Net Unrealized Gains (Losses) on Investments with OTTI Losses	Net Unrealized (Losses) Gains on Other Investments	Total
Balance at January 1, 2018	\$ 362	\$ 7,436	\$ 7,798
Other comprehensive (loss) income	—	(12,870)	(12,870)
Income tax (benefit) expense	—	(2,704)	(2,704)
Other comprehensive (loss) income, net of tax	—	(10,166)	(10,166)
Balance at December 31, 2018	<u>\$ 362</u>	<u>\$ (2,730)</u>	<u>\$ (2,368)</u>

	Net Unrealized Gains (Losses) on Investments with OTTI Losses	Net Unrealized (Losses) Gains on Other Investments	Total
Balance at January 1, 2017	\$ 362	\$ 5,975	\$ 6,337
Other comprehensive (loss) income	—	2,058	2,058
Income tax (benefit) expense	—	597	597
Other comprehensive (loss) income, net of tax	—	1,461	1,461
Balance at December 31, 2017	<u>\$ 362</u>	<u>\$ 7,436</u>	<u>\$ 7,798</u>

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 15—Business Segments

The Company's current operations were organized into three reportable segments: Insurance, Agency, and Corporate.

The Insurance segment is composed of three broad lines consisting of Direct Life, Closed Block, and Assumed Life and Annuities. Direct Life and the Closed Block are distinct operations; the assumed business and the small amount of structured settlements are all blocks in runoff from a prior management arrangement.

The Agency segment includes the insurance distribution operations of the Company and includes commission revenue from the sale of Fidelity Life products.

The Corporate segment includes certain expenses that are corporate expenses or that will benefit the overall organization and are not allocated to a segment.

All intercompany accounts and transactions have been eliminated in consolidation, including any profit or loss from the sale of Insurance segment products through the Agency segment.

The segment results are as follows:

Year Ended December 31, 2018	<u>Insurance</u>	<u>Agency</u>	<u>Corporate</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Net insurance premiums	\$ 88,573	\$ —	\$ —	\$ —	\$ 88,573
Net investment income	15,197	—	290	(386)	15,101
Net realized investment (losses) gains	(967)	—	—	—	(967)
Earned commissions from external customers	—	13,404	—	—	13,404
Intersegment earned commissions	—	28,857	—	(28,857)	—
Other income	236	7,633	—	—	7,869
Total revenues	103,039	49,894	290	(29,243)	123,980
Life and annuity benefits	60,154	—	—	—	60,154
Operating costs and expenses	27,486	50,489	5,055	(14,677)	68,353
Amortization of deferred policy acquisition costs	16,028	—	—	(4,522)	11,506
Amortization of intangible assets	—	164	—	—	164
Total benefits and expenses	103,668	50,653	5,055	(19,199)	140,177
(Loss) income before income tax	\$ (629)	\$ (759)	\$ (4,765)	\$ (10,044)	\$ (16,197)

Year Ended December 31, 2017	<u>Insurance</u>	<u>Agency</u>	<u>Corporate</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Net insurance premiums	\$ 82,873	\$ —	\$ —	\$ —	\$ 82,873
Net investment income	15,215	—	210	(306)	15,119
Net realized investment (losses) gains	571	—	—	—	571
Earned commissions from external customers	—	11,514	—	—	11,514
Intersegment earned commissions	—	23,282	—	(23,282)	—
Other income	264	5,529	—	—	5,793
Total revenues	98,923	40,325	210	(23,588)	115,870
Life and annuity benefits	59,811	—	—	—	59,811
Operating costs and expenses	21,368	40,786	4,923	(11,165)	55,912
Amortization of deferred policy acquisition costs	15,401	—	—	(4,475)	10,926
Amortization of intangible assets	—	163	—	—	163
Total benefits and expenses	96,580	40,949	4,923	(15,640)	126,812
(Loss) income before income tax	\$ 2,343	\$ (624)	\$ (4,713)	\$ (7,948)	\$ (10,942)

Members Mutual Holding Company
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 15—Business Segments (Continued)

December 31, 2018	Insurance	Agency	Corporate	Total
Cash and investments	\$386,254	\$ 590	\$ 2,219	\$389,063
Commissions and agent balances	(13,160)	15,024	—	1,864
Deferred policy acquisition costs	84,567	—	—	84,567
Intangibles assets	—	1,716	—	1,716
Reinsurance recoverable	136,601	—	—	136,601
Deferred income tax (liabilities) assets, net	(6,548)	—	17,211	10,663
Other	18,468	2,584	9,444	30,496
Total assets	<u>\$606,182</u>	<u>\$19,914</u>	<u>\$ 28,874</u>	<u>\$654,970</u>
December 31, 2017	Insurance	Agency	Corporate	Total
Cash and investments	\$400,715	\$ 594	\$ 3,517	\$404,826
Commissions and agent balances	(5,061)	7,095	—	2,034
Deferred policy acquisition costs	82,319	—	—	82,319
Intangibles assets	—	1,880	—	1,880
Reinsurance recoverable	143,915	—	—	143,915
Deferred income tax (liabilities) assets, net	(10,802)	—	15,727	4,925
Other	19,172	1,421	5,922	26,515
Total assets	<u>\$630,258</u>	<u>\$10,990</u>	<u>\$ 25,166</u>	<u>\$666,414</u>

The Company's investment in equity method investees and the related equity income is attributable to the corporate segment.

All the Company's significant revenues and long-lived assets are located in the United States, which is the Company's country of domicile.

Note 16—Subsequent Events

Management has evaluated subsequent events up to and including March 15, 2019 the date these consolidated financial statements were issued and determined there were no reportable subsequent events.

MEMBERS MUTUAL HOLDING COMPANY
Schedule I
Summary of Investments Other Than Investments in Related Parties
As of December 31, 2018
(in thousands)

<u>Type of Investment</u>	<u>Cost</u>	<u>Value</u>	<u>Balance Sheet</u>
Fixed maturities:			
Bonds:			
U.S. government and agencies	\$ 11,459	\$ 12,511	\$ 12,511
U.S. agency mortgage backed	32,811	32,581	32,581
State and political subdivisions	23,334	23,911	23,911
Corporate and miscellaneous	155,372	156,916	156,916
Foreign government	131	142	142
Residential mortgage backed securities	9,786	10,085	10,085
Commercial mortgage backed securities	16,409	16,152	16,152
Asset backed securities	55,001	54,288	54,288
Total fixed maturity securities	<u>304,303</u>	<u>306,586</u>	<u>306,586</u>
Equity securities:			
Common stock	6,427	4,922	4,922
Mortgage loans	51,066	46,629	50,830
Limited partnership interests	118	118	118
Policy loans	5,623	7,355	5,623
Total investments	<u>\$367,537</u>	<u>\$365,610</u>	<u>\$368,079</u>

MEMBERS MUTUAL HOLDING COMPANY
Schedule II
Condensed Financial Information of Registrant (Parent Company)
As of and for the Years Ended December 31, 2018 and 2017
(in thousands)

Members Mutual Holding Company
Condensed Statement of Operations and Comprehensive Income

<u>For the Years Ended December 31,</u>	<u>2018</u>	<u>2017</u>
Revenues		
Net investment income	\$ 31	\$ 20
Total revenue	31	20
Expenses		
Administrative and general	27	26
Total expenses	27	26
Income (loss) before income taxes	4	(6)
Income tax expense (benefit)	2	(3)
Net income (loss) before equity in net loss of subsidiary	2	(3)
Equity in net (loss) of subsidiary	(13,849)	(8,238)
Net (loss) income	(13,847)	(8,241)
Other comprehensive income (loss)	9	(5)
Equity in other comprehensive income of subsidiary	(10,175)	1,466
Total comprehensive (loss) income	<u><u>\$(24,013)</u></u>	<u><u>\$(6,780)</u></u>

Members Mutual Holding Company
Condensed Balance Sheets

For the Years Ended December 31,	2018	2017
Assets		
Investment in subsidiary	\$172,156	\$196,180
Fixed maturities, available-for-sale	1,605	1,596
Cash and cash equivalents	448	436
Accrued investment income	2	2
Current Income Tax	5	8
Total assets	<u>174,216</u>	<u>198,222</u>
Liabilities and equity		
Liabilities:		
Due to subsidiaries	2,026	2,019
Total liabilities	<u>2,026</u>	<u>2,019</u>
Equity:		
Retained earnings	174,558	188,405
Other comprehensive (loss) income	(2,368)	7,798
Total equity	<u>172,190</u>	<u>196,203</u>
Total liabilities and equity	<u>\$174,216</u>	<u>\$198,222</u>

Members Mutual Holding Company
Condensed Statements of Cash Flows

For the Years Ended December 31,	2018	2017
Cash flows from operating activities		
Net (loss) income	\$(13,847)	\$(8,241)
Adjustments to reconcile net income to net cash provided (used) by operations:		
Equity in earnings of subsidiaries	13,849	8,238
Accretion of bond discount	(2)	(6)
Change in:		
Due to subsidiaries	7	(37)
Current income tax	3	(3)
Other liabilities	—	(2)
Other assets	—	(1)
Net cash provided (used) by operating activities	<u>10</u>	<u>(52)</u>
Cash flows from investing activities		
Purchase of fixed maturity securities	(1,598)	—
Proceeds from fixed maturity securities—maturities	1,600	—
Net cash flows provided (used) by investing activities	<u>2</u>	<u>—</u>
Net increase (decrease) in cash	12	(52)
Cash at beginning of year	436	488
Cash at end of year	<u>\$ 448</u>	<u>\$ 436</u>

MEMBERS MUTUAL HOLDING COMPANY
Schedule III
Supplementary Insurance Information
As of and for the Years Ended December 31, 2018 and 2017
(in thousands)

<u>Segment</u>	<u>Deferred Policy Acquisition Costs</u>	<u>Future Policy Benefits Losses and Expenses</u>	<u>Other Policy Claims and Benefits Payable</u>	<u>Premium Revenue</u>	<u>Net Investment Income</u>	<u>Benefits, Claims, Losses and Settlement Expenses</u>	<u>Amortization of DAC</u>	<u>Other Operating Expenses</u>
2018								
Insurance	\$ 84,567	\$320,397	\$ 128,172	\$88,573	\$ 15,197	\$ 60,154	\$ 16,028	\$ 27,486
Agency	—	—	—	—	—	—	—	50,652
Corporate and other	—	—	—	—	290	—	—	5,055
Eliminations	—	—	—	—	(386)	—	(4,522)	(14,677)
Total	<u>\$ 84,567</u>	<u>\$320,397</u>	<u>\$ 128,172</u>	<u>\$88,573</u>	<u>\$ 15,101</u>	<u>\$ 60,154</u>	<u>\$ 11,506</u>	<u>\$ 68,516</u>
2017								
Insurance	\$ 82,319	\$302,782	\$ 146,007	\$82,873	\$ 15,215	\$ 59,811	\$ 15,401	\$ 21,368
Agency	—	—	—	—	—	—	—	40,949
Corporate and other	—	—	—	—	210	—	—	4,923
Eliminations	—	—	—	—	(306)	—	(4,475)	(11,165)
Total	<u>\$ 82,319</u>	<u>\$302,782</u>	<u>\$ 146,007</u>	<u>\$82,873</u>	<u>\$ 15,119</u>	<u>\$ 59,811</u>	<u>\$ 10,926</u>	<u>\$ 56,075</u>

MEMBERS MUTUAL HOLDING COMPANY
Schedule IV
Reinsurance
As of and for the Years Ended December 31, 2018 and 2017
(in thousands)

	<u>Gross Amount</u>	<u>Ceded to Other Companies</u>	<u>Assumed From Other Companies</u>	<u>Net Amount</u>	<u>Percentage of Amount Assumed to Net</u>
2018					
Life insurance face amount in-force (millions)	\$ 31,999	\$ 24,089	\$ 1,969	\$ 7,910	24.9%
Premiums					
Life insurance	\$141,657	\$ 74,621	\$ 20,770	\$87,806	23.7%
Accident and health	984	217	—	767	0.0%
Total premiums	<u>\$142,641</u>	<u>\$ 74,838</u>	<u>\$ 20,770</u>	<u>\$88,573</u>	<u>23.5%</u>
2017					
Life insurance face amount in-force (millions)	\$ 29,217	\$ 25,016	\$ 1,812	\$ 6,013	30.1%
Premiums					
Life insurance	\$141,848	\$ 78,717	\$ 19,032	\$82,163	23.2%
Accident and health	975	265	—	710	0.0%
Total premiums	<u>\$142,823</u>	<u>\$ 78,982</u>	<u>\$ 19,032</u>	<u>\$82,873</u>	<u>23.0%</u>

MEMBERS MUTUAL HOLDING COMPANY
Schedule V
Valuation and Qualifying Accounts
For the Years Ended December 31, 2018 and 2017
(in thousands)

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Other		
2018					
Allowance for losses on commercial mortgage	\$ 268	\$ —	\$ —	\$ 32	\$ 236
Allowance for uncollectible receivables	830	—	—	268	562
Valuation allowance on deferred tax asset	10,595	889	—	—	11,484
	<u>\$ 11,693</u>	<u>\$ 889</u>	<u>\$ —</u>	<u>\$ 300</u>	<u>\$ 12,282</u>
2017					
Allowance for losses on commercial mortgage	\$ 490	\$ —	\$ —	\$ 222	\$ 268
Allowance for uncollectible receivables	1,850	—	—	1,020	830
Valuation allowance on deferred tax asset	17,390	—	(3,049)	3,746	10,595
	<u>\$ 19,730</u>	<u>\$ —</u>	<u>\$(3,049)</u>	<u>\$ 4,988</u>	<u>\$ 11,693</u>

You should rely only on the information contained in this prospectus. We have not, and Raymond James has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and Raymond James is not, making an offer to sell these securities to any person in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our web site is not part of this prospectus.

The table of contents is located on the inside of the front cover of this prospectus.



VERICITY, INC.

UP TO 20,125,000 SHARES COMMON STOCK

PROSPECTUS

RAYMOND JAMES

[]

Until [, 2019] all dealers effecting transactions in Vericity, Inc. common stock may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to any unsold allotments or subscriptions.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The table below sets forth the costs and expenses payable by us in connection with the issuance and distribution of the securities being registered. All amounts are estimated, except for the SEC registration fee. All costs and expenses are payable by us.

SEC Registration Fee	\$ 24,392
Printing, Postage and Mailing Expenses	\$ [●]
FINRA Filing Fees	\$ 30,688
NASDAQ Listing Fee	\$ 50,000
Legal Fees and Expenses	\$ [●]
Accounting Fees and Expenses	\$ [●]
Valuation Expenses	\$ [●]
Actuarial Fees and Expenses	\$ [●]
Transfer and Offering Agent Fees and Expenses	\$ [●]
Underwriters' Expense Reimbursement	\$277,500
Blue Sky Fees and Expenses	\$ [●]
Miscellaneous Expenses	\$ [●]
Total	\$ *

Item 14. Indemnification of Directors and Officers.

Section 145 of the DGCL authorizes a court to award, or a corporation's board of directors to grant, indemnity to officers, directors and other corporate agents in terms sufficiently broad to permit such indemnification under certain circumstances and subject to certain limitations.

Our charter and bylaws, as they will be in effect upon the completion of this offering, provide that we will indemnify our directors and officers, and may indemnify our employees and agents, to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law.

In addition, we intend, prior to this offering, to enter into separate indemnification agreements with our directors and executive officers which will require us, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors or officers. We will also maintain director and officer liability insurance.

These indemnification provisions may be sufficiently broad to permit indemnification of our officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

In addition, the employment agreements that we have entered into require the Company to indemnify any executive who is made a party or is threatened to be made a party to any action, suit or proceeding because he or she is or was a director or officer of the Company, subject to certain conditions. In such case, the Company will provide for the advancement of expenses.

Item 15. Recent Sales of Unregistered Securities.

None.

Item 16. Exhibits and Financial Statement Schedules.

(a) *List of Exhibits.* See the Exhibit Index filed as part of this Registration Statement.

(b) *Financial Statement Schedules.* The following financial statement schedules are filed as a part of this registration statement beginning on page F-36 of the prospectus: Schedule I—Summary of Investments Other Than Investments in Related Parties; Schedule II—Condensed Financial Information of Registrant; Schedule III—Supplementary Insurance Information; Schedule IV—Reinsurance; and Schedule V—Valuation and Qualifying Accounts.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any fact or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof;

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of this offering;

(4) to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser;

(5) that, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective; and

(6) that, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the forgoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Chicago, State of Illinois, on [, 2019].

VERICITY, INC.

By: _____
James E. Hohmann
Chairman of the Board,
President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James E. Hohmann and John Buchanan, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ James E. Hohmann	President and Chief Executive Officer (Principal Executive Officer)	[, 2019]
_____ Chris S. Kim	Chief Financial Officer (Principal Financial Officer)	[, 2019]
_____ James W. Schacht	Director	[, 2019]
_____ Richard A. Hemmings	Director	[, 2019]

EXHIBIT INDEX

In reviewing the agreements included as exhibits to this registration statement, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us, our subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;*
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;*
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and*
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.*

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this registration statement not misleading. Additional information about us may be found elsewhere in the prospectus included in this registration statement.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
1.1	Form of Agency Agreement between Vericity, Inc. and Raymond James & Associates, Inc.
2.1	Members Mutual Holding Company Plan of Conversion from Mutual Holding Company to Stock Form adopted July 31, 2018, as amended and restated on September 16, 2018 and March 25, 2019
3.1	Certificate of Incorporation of Vericity, Inc., as amended**
3.2	Form of Amended and Restated Certificate of Incorporation of Vericity, Inc.**
3.3	Bylaws of Vericity, Inc.**
3.4	Form of Amended and Restated Bylaws of Vericity, Inc.**
4.1	Form of Stock Certificate of Vericity, Inc.
5.1	Opinion of Locke Lord LLP regarding legality of stock of Vericity, Inc. being issued
10.1	Fidelity Life Association Deferred Compensation Plan**
10.2	Form of Executive Employment Agreement**
10.3	Vericity Holdings, Inc. Change in Control Severance Benefits Plan**
10.4	Form of Indemnification Agreement for Directors and Certain Officers of Vericity, Inc.**
10.5	Automatic Coinsurance Agreement dated as of January 1, 2012 between Fidelity Life Association and Hannover Life Reassurance Company of America (as amended by Amendment I effective January 20, 2014 and Amendment II effective January 1, 2015)**
10.6	Indemnity Reinsurance Agreement (Combined Block) effective as of October 1, 2012 by and between Combined Insurance Company of America and Fidelity Life Association**
10.7	Indemnity Reinsurance Agreement (Transition Block) effective as of October 1, 2012 by and between Combined Insurance Company of America and Fidelity Life Association (as amended by Amendment Number One dated August 27, 2013 and Amendment Number Two effective January 1, 2014.)**
10.8	License Agreement dated October 1, 2012 by and between Fidelity Life Association, James Harkensee and Combined Insurance Company of America**
10.9	Amended and Restated Reinsurance Agreement effective July 1, 2016 between Fidelity Life Association and Hannover Life Reassurance Company of America**

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.10	Automatic Self-Administered Accidental Death Benefit Rider Policy Coinsurance Reinsurance Agreement between Fidelity Life Association and Swiss Re Life and Health America Inc. effective June 1, 2013 (including Amendment 1 dated September 22, 2014, Amendment 2 dated December 23, 2014, Amendment 3 dated March 31, 2015, Amendment 4 dated April 7, 2015, Amendment 5 January 29, 2016, Amendment 6 dated March 23, 2016, and Amendment 7 dated March May 16, 2016)**
10.11	Automatic Self-Administered Coinsurance Reinsurance Agreement effective February 21, 2014 between Fidelity Life Association and Swiss Re Life & Health America Inc.**
10.12	Amended and Restated Purchase and Sale Agreement dated as of April 20, 2018 by and between Hannover Life Reassurance Company of America (Bermuda) LTD., Fidelity Life Association, and Efinancial, LLC**
10.13	Amended and Restated Standby Stock Purchase Agreement dated as of March 26, 2019 by and among Apex Holdco L.P., Vericity, Inc., Members Mutual Holding Company, and Fidelity Life Association
10.14	Amended and Restated Guaranty dated March 26, 2019 by J.C. Flowers IV L.P. in favor of Members Mutual Holding Company and Vericity, Inc.
10.15	Form of Escrow Agreement
10.16	Form of Apex Holdco L.P. 2019 Equity Incentive Plan**
10.17	Amendment No. 1 dated as of December 17, 2018 to the Amended and Restated Purchase and Sale Agreement dated as of April 20, 2018 by and between Hannover Life Reassurance Company of America (Bermuda) LTD., Fidelity Life Association, and Efinancial, LLC
21.1	Subsidiaries of Vericity, Inc.**
23.1	Consent of Deloitte & Touche LLP*
23.2	Consent of Boenning & Scattergood, Inc.
23.3	Consent of Milliman, Inc.
23.4	Consent of Locke Lord LLP (contained in Exhibit 5.1)
24.1	Power of Attorney (contained on signature page)
99.1	Stock Order Form and Instructions—Subscription and Community Offering
99.2	Question and Answer Brochure
99.3	Letters and statements to prospective purchasers of stock in offering
99.4	Form of Members Mutual Holding Company Member Proxy Materials
99.5	Pro Forma Valuation Appraisal Report of Members Mutual Holding Company, dated as of April 11, 2018, from Boenning & Scattergood, Inc.**
99.6	Letter dated April 13, 2018 to Members Mutual Holding Company from Boenning & Scattergood, Inc. regarding fair value of subscription rights.**
99.7	Actuarial Opinion of Steven Schreiber
99.8	Employee Bonus Program Stock Election Form*
99.9	Consent of Neil Ashe
99.10	Consent of Calvin Dong
99.11	Consent of Scott Perry
99.12	Consent of Eric Rahe

* To be filed by amendment

** Previously filed

Vericity, Inc.
Up to 20,125,000 Shares

COMMON STOCK
(\$0.001 Par Value)

Subscription Price \$10.00 Per Share

AGENCY AGREEMENT

April [], 2019

Raymond James & Associates, Inc.
222 Riverside Plaza
Suite 700
Chicago, Illinois 60606

Ladies and Gentlemen:

Vericity, Inc., a Delaware corporation (“Vericity”), Members Mutual Holding Company, an Illinois mutual insurance holding company (in both mutual and converted stock form “Members Mutual”), and Fidelity Life Association, an Illinois legal reserve life insurance company (“Fidelity,” and together with Vericity and Members Mutual, the “Vericity Parties”), hereby confirm, jointly and severally, their agreement (the “Agreement”) with Raymond James & Associates, Inc. (“Raymond James”) and Griffin Financial Group, LLC (“Griffin” and collectively with Raymond James, the “Agents”), as follows:

1. The Offering. On July 31, 2018, the Board of Directors of Members Mutual adopted a Plan of Conversion (as amended, the “Plan”), which provides for the conversion of Members Mutual from mutual to stock form (the “Conversion”), the organization of Vericity as a holding company that will own 100% of the common stock of converted Members Mutual, and the issuance of all of converted Members Mutual’s outstanding common stock to Vericity.

In connection with the Conversion, Vericity is offering between 14,875,000 and 20,125,000 shares of common stock, par value \$0.001 per share (the “Common Stock”), in (i) a subscription offering (the “Subscription Offering”), (ii) a community offering (the “Community Offering”), and, if necessary, (iii) the “Standby Offering” (as defined below). The Subscription Offering, the Community Offering, and the Standby Offering are herein sometimes collectively referred to as the “Offering.”

Vericity will issue the Shares at a purchase price of \$10.00 per share (the “Purchase Price”). The term “Shares” shall mean the number of shares of Common Stock actually sold in the Offering.

The shares of Common Stock to be offered in the Subscription Offering will be offered pursuant to nontransferable subscription rights to the following persons in the following order of priority: (i) to eligible members of Members Mutual, who are the policyholders under policies of insurance issued by Fidelity and in force on July 31, 2018 (“Eligible Members”); and (ii) to officers and directors of Members Mutual.

On October 5, 2018, Members Mutual, Vericity, and Fidelity Life entered into the Standby Stock Purchase Agreement (the “Standby Stock Purchase Agreement”) with Apex Holdco L.P. (the “Standby Purchaser”), an affiliate of J.C. Flowers & Co. LLC, pursuant to which the Standby Purchaser agreed, subject to certain terms and conditions, to acquire from Vericity at the Purchase Price the number of shares equal to the difference of 14,875,000 shares and the sum of (i) the number of shares of Common Stock subscribed for in the Subscription Offering and (ii) the number of shares for which orders in the Community Offering have been accepted, and, in addition, the Standby Purchaser has the right to purchase additional shares to permit the Standby Purchaser to acquire up to a majority of the Common Stock sold in the Offering (collectively, the “Standby Offering”), provided that no more than 20,125,000 Shares may be sold in the Offering.

In the event that shares of Common Stock are available for the Standby Purchaser to acquire in the Standby Offering, it is expected that the closings of the Standby Offering, the Subscription Offering, and the Community Offering will occur simultaneously.

It is acknowledged that the number of Shares to be sold in the Offering will be determined as described in the Prospectus (as hereinafter defined) and that the purchase of Shares in the Offering is subject to maximum and minimum purchase limitations as described in the Prospectus.

Vericity has filed with the U.S. Securities and Exchange Commission (the “Commission”) a Registration Statement on Form S-1 (File No. 333-) in order to register the Shares under the Securities Act of 1933, as amended (the “1933 Act”), and the regulations promulgated thereunder (the “1933 Act Regulations”) and has filed such amendments thereto as have been required to the date hereof (the “Registration Statement”). The term “Registration Statement” shall include any documents incorporated by reference therein and all financial schedules and exhibits thereto, including post-effective amendments. The prospectus, as amended, included in the Registration Statement at the time it initially becomes effective is hereinafter called the “Prospectus,” except that if any prospectus is filed by Vericity pursuant to Rule 424(b) or (c) of the 1933 Act Regulations differing from the prospectus included in the Registration Statement at the time it initially becomes effective, the term “Prospectus” shall refer to the prospectus filed pursuant to Rule 424(b) or (c) from and after the time such prospectus is filed with the Commission and shall include any supplements and amendments thereto from and after their dates of effectiveness or use, respectively.

Concurrently with the execution of this Agreement (or as promptly as practicable thereafter), Vericity is delivering to the Agents copies of the Prospectus, dated [], 2019, of Vericity to be used in the Subscription Offering and the Community Offering.

In accordance with Section 59.1 of the Illinois Insurance Code and the rules and regulations governing the conversion of Illinois mutual insurance holding companies to stock form, as from time to time amended or supplemented (the "Illinois Conversion Law"), Members Mutual has filed with the Illinois Director of Insurance (the "Director") an application for conversion and has filed such amendments thereto and supplementary materials as may have been required to the date hereof (such application, as amended or supplemented to date, is hereinafter referred to as the "Conversion Application"), including without limitation copies of (i) the Plan, (ii) Notice to Eligible Members of the Meeting to Vote on the Plan, together with the Proxy Statement describing the Proposed Conversion (the "Proxy Statement"), (iii) the Pro Forma Valuation Appraisal Report prepared by Boenning & Scattergood, Inc. (the "Appraisal"), and (iv) the draft Registration Statement submitted to the Commission on a confidential basis.

2. Appointment of the Agents. Subject to the terms and conditions of this Agreement, the Vericity Parties hereby appoint the Agents as their exclusive financial advisors (i) to consult with and to advise and assist the Vericity Parties with respect to the sale of the Shares in the Offering and (ii) to utilize their best efforts to solicit subscriptions and orders for the Shares and to advise and assist Vericity and Members Mutual with respect to the sale of the Shares in the Offering.

On the basis of the representations, warranties, and agreements of the Vericity Parties contained in, and subject to the terms and conditions of, this Agreement, the Agents accept such appointment and agree to consult with and advise the Vericity Parties as to the matters set forth in the letter agreement, dated April 18, 2016, as amended June 6, 2018, between Members Mutual and the Agents (the "Advisory Letter Agreement"). It is acknowledged by the Vericity Parties that the Agents shall not be obligated to purchase any Shares and shall not be obligated to take any action which is inconsistent with any applicable law, regulation, decision or order. Except as provided in this Section 2 and Section 13, the appointment of the Agents hereunder shall terminate upon consummation of the Offering, but in no event later than thirty (30) days after the end of the Subscription Offering period (the "End Date"). All fees or expenses due to the Agents but unpaid will be payable to the Agents in next day funds at the earlier of the Closing Date (as hereinafter defined) or the End Date. In the event the Offering is extended beyond the End Date, the Vericity Parties and the Agents may agree to renew this Agreement under mutually acceptable terms.

3. Refund of Purchase Price. In the event that the Offering is not consummated for any reason by the End Date, including but not limited to the inability of Vericity to sell a minimum of 14,875,000 Shares during the Offering (including any permitted extension thereof) or such other minimum number of Shares as shall be established consistent with the Plan, this Agreement shall terminate and any persons who have subscribed for any of the Shares shall have refunded to them the full amount that has been received from such person, without interest, as provided in the Prospectus. In the event the Offering is terminated for any reason not attributable to the action or inaction of the Agents, the Agents shall be paid the fees due to the date of such termination pursuant to Sections 4(a) and (c) hereof (to the extent not already paid).

4. Fees. In addition to the expenses specified in Section 9 hereof, as compensation for the Agents' services under this Agreement, the Agents have received or will receive the following fees from the Vericity Parties:

- (a) A retainer fee (the “Management Fee”) payable to each Agent in the amount of \$150,000, which was already paid to each Agent. The Management Fee shall be deemed to have been earned when due.
- (b) A success fee (the “Success Fee”) equal to the sum of (i) 3.0% of the aggregate purchase price of Shares sold in the Standby Offering, (ii) 1.0% of the aggregate purchase price of shares sold in the Subscription Offering, excluding Shares purchased by the Vericity Parties’ officers, directors, or employees, (iii) 3.0% of the aggregate purchase price of the shares sold in the Community Offering to persons identified by the Standby Purchaser, and (iv) 6.0% of the aggregate purchase price of the shares sold in the Community Offering identified by one or more of the Agents. The Success Fee shall be divided between the Agents with 75% of the fee paid under clauses (i), (iii), and (iv) of this paragraph paid to Raymond James and 25% paid to Griffin and 100% of the fee paid under clause (ii) of this paragraph paid to Raymond James. The Management Fee will be credited against the Success Fee paid pursuant to this paragraph.
- (c) Raymond James shall also receive a fee of \$25,000 for certain conversion agent services set forth in the Advisory Letter Agreement, \$5,000 of which has already been paid to Raymond James and is nonrefundable, and the balance of which shall be payable to Raymond James upon the completion of the mailing of the Subscription Offering documents. The Vericity Parties will reimburse Raymond James, upon request made from time to time, for its reasonable out-of-pocket expenses incurred in connection with its conversion agent services, subject to the limitations set forth in the Advisory Letter Agreement.

If this Agreement is terminated in accordance with the provisions of Sections 3 or 14, and the sale of Shares is not consummated, the Agents shall not be entitled to receive the fees set forth in Sections 4(b) and(c), and the Agents will return to the Vericity Parties any amounts advanced to such Agent to the extent not actually incurred by such Agent in accordance with FINRA Rule 5110(f)(2)(C). Any amount paid pursuant to Section 4(a) above shall be credited against any fees due upon termination.

5. Closing. If the minimum number of Shares required to be sold in the Offering as described in the Prospectus are subscribed for or ordered at or before the termination of the Offering, and the other conditions to the completion of the Offering set forth in Section 10 are satisfied, Vericity agrees to issue the Shares at the Closing Time (as hereinafter defined) against payment therefor by the means authorized by the Plan. Vericity shall deliver certificates evidencing ownership of the Shares (or such statements of ownership as required by law if the shares are issued in book-entry form only) in such authorized denominations and registered in such names as may be indicated on the subscription order forms directly to the purchasers thereof as promptly as practicable after the Closing Time. The Closing (the “Closing”) shall be held at the offices of Locke Lord LLP, 111 South Wacker Drive, Chicago, Illinois, or at such other place as shall be agreed upon among the Vericity Parties and the Agents, at 9:00 a.m., prevailing Chicago Time, on the business day selected by Members Mutual (the “Closing Date”), which business day shall be no less than two business days following the giving of prior notice

by Members Mutual to the Agents or at such other time as shall be agreed upon by Members Mutual and the Agents. At the Closing, Vericity shall deliver to the Agents by wire transfer in same-day funds the commissions, fees and expenses owing as set forth in Sections 4 and 9 hereof and the opinions and other documents required hereby shall be executed and delivered to effect the sale of the Shares as contemplated hereby and pursuant to the terms of the Prospectus; *provided, however*, that all out-of-pocket expenses to which the Agents are entitled under Section 9 hereof shall be due and payable upon receipt by Members Mutual at least two days prior to the Closing Date of a written accounting therefor setting forth in reasonable detail the expenses incurred by the Agents. The hour and date upon which Vericity shall release the Shares for delivery in accordance with the terms hereof is referred to herein as the "Closing Time."

The Agents shall have no liability to any party for the records or other information provided by the Vericity Parties (or their respective agents) to the Agents for use in allocating the Shares. Subject to the limitations of Section 11 hereof, the Vericity Parties shall indemnify and hold harmless the Agents for any liability arising out of the allocation of the Shares in accordance with (i) the Plan generally, and (ii) the records or other information provided to the Agents by the Vericity Parties (or their respective agents).

6. Representations and Warranties of the Vericity Parties. The Vericity Parties jointly and severally represent and warrant to the Agents that, except as disclosed in the Prospectus:

- (a) Each of the Vericity Parties has and, as of the Closing Time, will have all such corporate power and authority as may be required to enter into this Agreement. As of the Closing Time, Vericity will have all such corporate power and authority as may be required to issue and sell the Shares as provided herein and as described in the Prospectus. Subject to the receipt of regulatory approval, the execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated have been duly and validly authorized by all necessary corporate action on the part of each of the Vericity Parties. This Agreement has been validly executed and delivered by each of the Vericity Parties and is a valid, legal and binding obligation of each of the Vericity Parties, enforceable in accordance with its terms, except as the legality, validity, binding nature and enforceability thereof may be limited by (i) bankruptcy, insolvency, moratorium, conservatorship, receivership or other similar laws relating to or affecting the enforcement of creditors' rights generally; (ii) general equity principles regardless of whether such enforceability is considered in a proceeding in equity or at law; and (iii) the extent, if any, that the provisions of Sections 11 or 12 hereof may be unenforceable as against public policy.
- (b) The Registration Statement was declared effective by the Commission on _____, 2019, and no stop order has been issued with respect thereto and no proceedings therefor have been initiated or, to the knowledge of the Vericity Parties, threatened by the Commission. At the time the Registration Statement became effective, the Registration Statement (i) complied in all material respects

with the 1933 Act and the 1933 Act Regulations and contained all statements required to be included therein in accordance with the 1933 Act and the 1933 Act Regulations, and (ii) did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. At the time any Rule 424(b) or (c) Prospectus was or is filed with the Commission and at the Closing Time referred to in Section 5, the Prospectus did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that the representations and warranties in this Section 6(b) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Vericity Parties by or on behalf of the Agents regarding the Agents or the services to be provided by the Agents expressly for use in the Registration Statement or Prospectus, which information appears in (i) the second sentence of the second paragraph under the heading “Stock Pricing and Number of Shares to be Issued” on page [8] and page [104]; (ii) the second sentence of the last paragraph under the heading “Market for the Common Stock” on page [35]; and (iii) the second sentence of the first paragraph under the heading “Marketing Arrangements” on page [108] (collectively, the “Agent Information”).

- (c) At the time of filing the Registration Statement and at the date hereof, Vericity was not, and is not, an ineligible issuer, as defined in Rule 405. At the time of the filing of the Registration Statement and at the time of the use of any issuer free writing prospectus, as defined in Rule 433(h), Vericity met the conditions required by Rules 164 and 433 for the use of a free writing prospectus. If required to be filed, Vericity has filed any issuer free writing prospectus related to the offered Shares at the time it is required to be filed under Rule 433 and, if not required to be filed, will retain such free writing prospectus in Vericity’s records pursuant to Rule 433(g) and if any issuer free writing prospectus is used after the date hereof in connection with the offering of the Shares, Vericity will file or retain such free writing prospectus as required by Rule 433.
- (d) As of the Applicable Time (as hereinafter defined), neither (i) the Issuer-Represented General Free Writing Prospectus(es) issued at or prior to the Applicable Time and the Statutory Prospectus, all considered together (collectively, the “General Disclosure Package”), nor (ii) any individual Issuer-Represented Limited-Use Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the General Disclosure Package or any Issuer-Represented Limited-Use Free Writing Prospectus in reliance upon and in conformity with written information furnished to any of the Vericity Parties by or on behalf of the Agents specifically for use therein. As used in this Paragraph and elsewhere in this Agreement:

- (i) “Applicable Time” means each and every date when a potential purchaser submitted a subscription or otherwise committed to purchase Shares.
 - (ii) “Statutory Prospectus” as of any time, means the Prospectus relating to the offered Shares that is included in the Registration Statement relating to the offered Shares immediately prior to the Applicable Time, including any document incorporated by reference therein.
 - (iii) “Issuer-Represented Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433(h), relating to the offered Shares that is filed or is required to be filed with the Commission by Vericity, or if not required to be filed with the Commission that is retained in Vericity’s records pursuant to Rule 433(g). The term does not include any writing exempted from the definition of prospectus pursuant to clause (g) of Section 2(a)(10) of the 1933 Act, without regard to Rule 172 or Rule 173 under the 1933 Act Regulations.
 - (iv) “Issuer-Represented General Free Writing Prospectus” means any Issuer-Represented Free Writing Prospectus that is intended for general distribution to prospective investors.
 - (v) “Issuer-Represented Limited-Use Free Writing Prospectus” means any Issuer-Represented Free Writing Prospectus that is not an Issuer-Represented General Free Writing Prospectus. The term Issuer-Represented Limited-Use Free Writing Prospectus also includes any “bona fide electronic road show,” as defined in Rule 433 under the 1933 Act Regulations, that is made available without restriction pursuant to Rule 433(d)(8)(ii) under the 1933 Act Regulations or otherwise, even though not required to be filed with the Commission.
 - (vi) “Permitted Free Writing Prospectus” means any free writing prospectus as defined in Rule 405 of the 1933 Act Regulations that is consented to by Vericity and the Agents.
- (e) None of the Vericity Parties has directly or indirectly distributed or otherwise used and will not directly or indirectly distribute or otherwise use any prospectus, any “free writing prospectus” (as defined in Rule 405 of the 1933 Act Regulations) or other offering material (including, without limitation, content on Vericity’s website that may be deemed to be a prospectus, free writing prospectus or other offering material) in connection with the Offering and the sale of the Shares other than any Permitted Free Writing Prospectus or the Prospectus or other materials permitted by the 1933 Act and the 1933 Act Regulations distributed by Vericity and reviewed and approved in advance for distribution by

the Agents. Vericity has not, directly or indirectly, prepared or used and will not directly or indirectly, prepare or use, any Permitted Free Writing Prospectus except in compliance with the filing and other requirements of Rules 164 and 433 of the 1933 Act Regulations; assuming that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Act, filed with the Commission), the sending or giving, by the Agent, of any Permitted Free Writing Prospectus will satisfy the provisions of Rules 164 and 433 (without reliance on subsections (b), (c) and (d) of Rule 164).

- (f) Each Issuer-Represented Free Writing Prospectus, as of its date of first use and at all subsequent times through the completion of the Offering and sale of the offered Shares or until any earlier date that Vericity notified or notifies the Agent (as described in the next sentence), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. If at any time following the date of first use of an Issuer-Represented Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer-Represented Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement relating to the offered Shares or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, Vericity has notified or will notify promptly the Agents so that any use of such Issuer-Represented Free-Writing Prospectus may cease until it is amended or supplemented, and Vericity has promptly amended or will promptly amend or supplement such Issuer-Represented Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer-Represented Free Writing Prospectus based upon and in conformity with written information furnished to any of the Vericity Parties by the Agents specifically for use therein.
- (g) The Conversion Application has been prepared by the Vericity Parties and filed with the Director. The Plan has been approved by the Director. The Plan complies in all material respects with the Illinois Conversion Law, except to the extent waived in writing by the Director, and the Proxy Statement (taken together with the Prospectus) does not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (h) No order has been issued by the Department, the Commission, or any other state or federal regulatory authority, preventing or suspending the use of the Registration Statement, the Prospectus, the Proxy Statement or any supplemental sales literature for use in connection with the Offering, and no action by or before any such government entity to revoke any approval, authorization or order of effectiveness related to the Offering is pending or, to the knowledge of the Vericity Parties, threatened.
- (i) The Plan has been duly adopted by the Board of Directors of Members Mutual, and at the Closing Time the offer and sale of the Shares will have been conducted in all material respects in accordance with the Plan, the Illinois Conversion Law, except to the extent waived or otherwise approved by the Director, and all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Offering imposed upon the Vericity Parties by the Director or the Commission (other than those which the regulatory authority permits to be completed after the Conversion) and in the manner described in the Prospectus. To the knowledge of the Vericity Parties, no person has sought to obtain review of the final action of any state or federal regulatory authority with respect to the Plan or the Offering.
- (j) Boenning & Scattergood, Inc., which prepared the Appraisal in connection with the Offering, has advised the Vericity Parties in writing that it believes it is independent with respect to each of the Vericity Parties. The Vericity Parties believe that Boenning & Scattergood, Inc. is qualified within the meaning of the Illinois Conversion Law.
- (k) Deloitte & Touche LLP, which certified the financial statements included in the Registration Statement, has advised the Vericity Parties that it is an independent registered public accounting firm within the meaning of the Code of Ethics of the American Institute of Certified Public Accountants (the "AICPA"), that it is registered with the Public Company Accounting Oversight Board ("PCAOB"), and that it is, with respect to each of the Vericity Parties, an independent certified public accountant within the meaning of, and is not in violation of the auditor independence requirements of the 1933 Act, the 1933 Act Regulations, the regulations of the PCAOB and the Sarbanes Oxley Act of 2002 (the "Sarbanes-Oxley Act").
- (l) The consolidated financial statements, schedules and notes thereto which are included in the Registration Statement and which are a part of the Prospectus present fairly the financial condition and retained earnings of Members Mutual and its subsidiaries as of the dates indicated and the results of operations and cash flows for the periods specified. The financial statements comply in all material respects with the applicable accounting requirements of the 1933 Act Regulations, Regulation S-X of the Commission and accounting principles generally accepted in the United States of America ("GAAP") applied on a consistent basis during the periods presented except as otherwise noted therein, and present fairly in all material respects the information required to be stated therein. The other financial, statistical and pro forma information and related notes included in the

Prospectus present fairly the information shown therein on a basis consistent with the audited and unaudited financial statements included in the Prospectus, and as to the pro forma adjustments, the adjustments made therein have been properly applied on the basis described therein.

- (m) Since the respective dates as of which information is given in the Registration Statement, including the Prospectus, other than disclosed therein: (i) there has not been any material adverse change in the financial condition or in the earnings, capital, properties, or business affairs of the Vericity Parties taken as a whole, whether or not arising in the ordinary course of business (“Material Adverse Effect”); and (ii) except for transactions specifically referred to or contemplated in the Prospectus, there have not been any material transactions entered into by any of the Vericity Parties, other than those in the ordinary course of business. The capitalization, liabilities, assets, properties and business of the Vericity Parties taken as a whole conform in all material respects to the descriptions thereof contained in the Prospectus.
- (n) Vericity is a corporation duly incorporated and validly existing under the laws of the State of Delaware, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is, and as of the Closing Date will be, qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification unless the failure to qualify in one or more of such jurisdictions would not have a Material Adverse Effect. As of the Closing Time, Vericity will be in good standing under the laws of the State of Delaware and will have obtained all licenses, permits and other governmental authorizations required for the conduct of its business, except those that individually or in the aggregate would not have a Material Adverse Effect; and all such licenses, permits and governmental authorizations are in full force and effect, and Vericity is, and as of the Closing Date will be, in compliance therewith in all material respects. Upon completion of the Conversion, Vericity will own all of the outstanding shares of capital stock of converted Members Mutual free and clear of all security interests, pledges or other encumbrances. Members Mutual owns all of the outstanding shares of capital stock of Vericity Holdings, Inc. free and clear of all security interests, pledges or other encumbrances. There are no outstanding options, warrants or other rights to purchase any securities of Vericity Holdings, Inc. or any of the Vericity Parties except as disclosed in the Prospectus.
- (o) Members Mutual is a mutual holding company duly organized and validly existing under the laws of the State of Illinois, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is, and as of the Closing Date will be, qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification unless the failure to qualify in one or more of such jurisdictions would not have a Material Adverse Effect. As of the Closing Time, Members Mutual will be in good standing under

the laws of the State of Illinois and will have obtained all licenses, permits and other governmental authorizations required for the conduct of its business, except those that individually or in the aggregate would not have a Material Adverse Effect; and all such licenses, permits and governmental authorizations are in full force and effect, and Members Mutual is, and at the Closing Date will be, in compliance therewith in all material respects.

- (p) Efinancial, LLC is a limited liability company duly organized and validly existing under the laws of the State of Washington (“Efinancial”), with power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is, and as of the Closing Date will be, qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification unless the failure to qualify in one or more of such jurisdictions would not have a Material Adverse Effect. As of the Closing Time, Efinancial will be in good standing under the laws of the State of Washington and will have obtained all licenses, permits and other governmental authorizations required for the conduct of its business, except those that individually or in the aggregate would not have a Material Adverse Effect; and all such licenses, permits and governmental authorizations are in full force and effect, and Efinancial is, and as of the Closing Date will be, in compliance therewith in all material respects. All of the issued and outstanding membership interests in Efinancial are duly and validly issued and fully paid and nonassessable, and are, and as of the Closing Time will be, owned by Vericity Holdings, Inc. free and clear of any mortgage, pledge, lien, encumbrance, claim or restriction. Efinancial does not own equity securities or any equity interest in any other material business enterprise except as otherwise described in the Prospectus.
- (q) Fidelity is a duly incorporated and validly existing Illinois legal reserve life insurance company with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus; the activities of Fidelity as of the date hereof are, and as of the Closing Time will be, permitted by the rules and regulations of the Department; Fidelity has obtained all licenses, permits and other governmental authorizations currently required for the conduct of its business except those that individually or in the aggregate would not have a Material Adverse Effect; all such licenses, permits and other governmental authorizations are and, as of the Closing Time will be, in full force and effect and Fidelity is and, as of the Closing Time will be, in good standing under the laws of the State of Illinois; all of the issued and outstanding capital stock of Fidelity is duly and validly issued and fully paid and nonassessable; and Vericity Holdings, Inc. directly owns all of such capital stock, and as of the Closing Time will directly own, all of such capital stock free and clear of any mortgage, pledge, lien, encumbrance, claim or restriction. Fidelity does not own equity securities or any equity interest in any other material business enterprise except as otherwise described in the Prospectus.

- (r) The authorized capital stock of Vericity consists of 30,000,000 shares of Common Stock, par value \$0.001 per share. Upon consummation of the Offering, the issued and outstanding Common Stock of Vericity will be within the range set forth in the Prospectus under the caption “Capitalization” (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus); and the shares of Common Stock to be subscribed for in the Offering have been duly and validly authorized for issuance and, when issued and delivered by Vericity pursuant to the Plan against payment of the consideration calculated as set forth in the Plan and the Prospectus, will be duly and validly issued and fully paid and nonassessable; the issuance of the Shares is not subject to preemptive rights, except for the Subscription Rights granted pursuant to the Plan; and the terms and provisions of the Shares will conform in all material respects to the description thereof contained in the Prospectus.
- (s) Upon consummation of the Conversion, the authorized capital stock of Members Mutual will be 1,000 shares of common stock, par value \$1.00 per share (the “Members Mutual Common Stock”), and no shares of Members Mutual Common Stock have been or will be issued prior to the Closing Time. The shares of Members Mutual Common Stock to be issued to Vericity will have been duly authorized for issuance and, when issued and delivered by Members Mutual, will be duly and validly issued and fully paid and nonassessable, and all such Members Mutual Common Stock will be owned beneficially and of record by Vericity, free and clear of any security interest, mortgage, pledge, lien, encumbrance or legal or equitable claim; the certificates representing the shares of Members Mutual Common Stock will conform with the requirements of applicable laws and regulations (if any).
- (t) None of the Vericity Parties is and, as of the Closing Time, none of the Vericity Parties will be, in, nor will the consummation of the transactions contemplated herein result in, (i) violation of its respective charter, certificate or articles of incorporation, certificate of organization, operating agreement or bylaws (collectively, the “Organizational Documents”), (ii) material default in the performance or observance of any material obligation, agreement, covenant, or condition contained in any material contract, lease, loan agreement, indenture or other instrument to which any of them is a party or by which any of them, or any of their respective properties, may be bound (the “Material Contracts”), or (iii) violation of any applicable law, rule, judgment, directive, decree, or order, except for such violations or defaults that would not have a Material Adverse Effect. To the knowledge of the Vericity Parties, the Material Contracts are in full force and effect and no other party to any such Material Contracts has instituted or threatened any action or proceeding wherein any of the Vericity Parties is alleged to be in default thereunder under circumstances where such action or proceeding, if determined adversely to any of the Vericity Parties, would have a Material Adverse Effect.

- (u) The Vericity Parties have good and marketable title to all assets which are material to the businesses of the Vericity Parties and to those assets described in the Prospectus as owned by them, free and clear of all material liens, charges, encumbrances, restrictions or other claims, except such as are described in the Prospectus or which do not have a Material Adverse Effect, and all of the leases and subleases which are material to the businesses of the Vericity Parties, as described in the Registration Statement or Prospectus, are in full force and effect.
- (v) During the past three (3) years, the Vericity Parties have conducted and are conducting their respective businesses so as to comply in all respects with all applicable statutes and regulations (including, without limitation, regulations, decisions, directives and orders of the Department and the Commission), except where the failure to so comply would not reasonably be expected to result in any Material Adverse Effect, and there is no charge, investigation, action, suit or proceeding before or by any court, regulatory authority or governmental agency or body pending or, to the knowledge of any of the Vericity Parties, threatened, which would reasonably be expected to materially and adversely affect the Offering, the performance of this Agreement, or the consummation of the transactions contemplated in the Plan as described in the Registration Statement, or which would reasonably be expected to result in a Material Adverse Effect.
- (w) The Vericity Parties have received an opinion of their counsel, Locke Lord LLP, with respect to the legality of the Shares, as described in the Registration Statement and the Prospectus, and the facts and representations upon which such opinions are based are truthful, accurate and complete in all material respects. All material aspects of the aforesaid opinion are accurately summarized in the Prospectus. None of the Vericity Parties has taken or will take any action inconsistent with such opinions.
- (x) The Vericity Parties have timely filed all required federal and state tax returns, have paid all taxes that have become due and payable in respect of such returns, except where permitted to be extended, have made adequate reserves for similar future tax liabilities, and, to the knowledge of the Vericity Parties, no deficiency has been asserted with respect thereto by any taxing authority.
- (y) No approval, authorization, consent or other order of any regulatory or supervisory or other public authority is required for the execution and delivery by the Vericity Parties of this Agreement and the issuance of the Shares, except for (i) the non-objection of FINRA, and (ii) any necessary qualification, notification, or registration or exemption under the securities or blue sky laws of the various states in which the Shares are to be offered for sale.
- (z) None of the Vericity Parties has: (i) issued any securities within the last 18 months (except for notes to evidence bank loans or other liabilities in the ordinary course of business or as described in the Prospectus); (ii) had any dealings with respect to sales of securities within the 18 months prior to the date hereof with

any member of FINRA, or any person related to or associated with such member, other than discussions and meetings relating to the Offering and purchases and sales of U.S. government and agency and other securities in the ordinary course of business; (iii) entered into a financial advisory agreement except for the Advisory Letter Agreement and as contemplated hereunder; or (iv) engaged any intermediary between the Agents and the Vericity Parties in connection with the Offering, and no person is being compensated in any manner for such services.

- (aa) To the knowledge of the Vericity Parties, none of the Vericity Parties has made any payment of funds of the Vericity Parties as a loan to any person for the purchase of Shares.
- (bb) Members Mutual and its subsidiaries comply in all material respects with any applicable financial record keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the regulations and rules thereunder. Fidelity and Efinancial have established compliance programs and are in compliance in all material respects with the requirements of the USA PATRIOT Act and all applicable regulations promulgated thereunder, and there is no charge, investigation, action, suit or proceeding before any court, regulatory authority or governmental entity or body pending or, to the knowledge of the Vericity Parties, threatened regarding compliance by Efinancial or Fidelity with the USA PATRIOT Act or any regulations promulgated thereunder.
- (cc) The membership records of Members Mutual, including, without limitation, as to Eligible Members, are accurate and complete in all material respects.
- (dd) Except for any such violations or liabilities that would not have a Material Adverse Effect, the Vericity Parties comply with all laws, rules and regulations relating to environmental protection, and none of them has been notified or is otherwise aware that any of them is potentially liable, or is considered potentially liable, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws and regulations; no action, suit, regulatory investigation or other proceeding is pending, or to the knowledge of the Vericity Parties, threatened against the Vericity Parties relating to environmental protection, nor do the Vericity Parties have any reason to believe any such proceedings may be brought against any of them; and no disposal, release or discharge of hazardous or toxic substances, pollutants or contaminants, including petroleum and gas products, as any of such terms may be defined under federal, state or local law, has occurred on, in, at or about any facilities or properties owned or leased by any of the Vericity Parties.
- (ee) (A) the employee benefit plans, including employee welfare benefit plans, of the Vericity Parties (the “Employee Plans”) have been operated in compliance with the applicable provisions of ERISA, the Internal Revenue Code of 1986, as amended (the “Code”), all regulations, rulings and announcements promulgated

or issued thereunder and all other applicable laws and governmental regulations, (B) no reportable event under Section 4043(c) of ERISA has occurred with respect to any Employee Plan of the Vericity Parties for which the reporting requirements have not been waived, (C) no prohibited transaction under Section 406 of ERISA, for which an exemption does not apply, has occurred with respect to any Employee Plan of the Vericity Parties, and (D) all Employee Plans that are group health plans have been operated in compliance with the group health plan continuation coverage requirements of Section 4980B of the Code, except to the extent such noncompliance, reportable event or prohibited transaction would not have, individually or in the aggregate, a Material Adverse Effect. There are no pending or, to the knowledge of the Vericity Parties, threatened, claims by or on behalf of any Employee Plan, by any employee or beneficiary covered under any such Employee Plan or by any governmental authority, or otherwise involving such Employee Plans or any of their respective fiduciaries (other than for routine claims for benefits). Each of the Vericity Parties has fulfilled, in all material respects, its obligations, if any, under the minimum funding standards of Section 302 of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the regulations promulgated thereunder with respect to any “plan” (as defined in Section 3(3) of ERISA and the regulations thereunder), which is maintained by any of the Vericity Parties for their employees, and any such plan is in compliance in all material respects with the presently applicable provisions of ERISA and the regulations thereunder. None of the Vericity Parties has incurred any unpaid liability under Title IV of ERISA to the Pension Benefit Guaranty Corporation (other than for the payment of premiums in the ordinary course) or to any such plan.

- (ff) Vericity has applied for approval, subject to completion of the Offering, to have the Shares listed on the NASDAQ Stock Market effective as of the Closing Time.
- (gg) Except as disclosed in the Prospectus, all material reinsurance treaties or agreements to which Fidelity is a party or is a named reinsured are in full force and effect. Neither Fidelity, nor, to the knowledge of the Vericity Parties, any other party thereto, is in default under any such agreement, and no party may terminate any such agreement by reason of the transactions contemplated by the Plan.
- (hh) Vericity has filed a registration statement on Form 8-A to register the Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and pursuant to Form 8-A such registration statement shall be effective concurrent with the effectiveness of the Registration Statement.
- (ii) There is no contract or other document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required.

- (jj) The Vericity Parties maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (iii) access to cash and other liquid assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded ledger assets are compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The books, records and accounts and systems of internal accounting control of Vericity, Members Mutual, Efinancial and their respective subsidiaries comply in all material respects with the requirements of Section 13(b)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Vericity has established and maintains "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the 1934 Act) that are effective in ensuring that the information it will be required to disclose in the reports it files or submits under the 1934 Act is accumulated and communicated to Vericity's management (including Vericity's principal executive officer and principal financial officer) in a timely manner and recorded, processed, summarized and reported within the periods specified in the Commission's rules and forms. To the knowledge of the Vericity Parties, Deloitte Touche LLP and the Audit Committee of the Board of Directors have been advised of: (A) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect Vericity's ability to record, process, summarize, and report financial data; and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal accounting controls of Vericity, Members Mutual, Efinancial and their respective subsidiaries.
- (kk) Except as described in the Prospectus, (i) there are no contractual encumbrances or contractual restrictions or regulatory restrictions on the ability of any of the Vericity Parties to pay dividends or make any other distributions on its capital stock, and (ii) there are no contractual encumbrances or contractual restrictions on the ability of the Vericity Parties (A) to pay any indebtedness owed to the Vericity Parties, (B) to make any loans or advances to, or investments in, the Vericity Parties, or (C) to transfer any of its property or assets to the Vericity Parties.
- (ll) None of the Vericity Parties is required to be registered as an "investment company" under the Investment Company Act of 1940, as amended, or as an "investment advisor" under the Investment Advisor Act of 1940, as amended.
- (mm) The Vericity Parties have taken all actions necessary to obtain at the Closing Time a blue sky memorandum from Stevens & Lee, P.C.
- (nn) The Vericity Parties carry, or are covered by, insurance in such amounts and covering such risks as the Vericity Parties deem reasonably adequate for the conduct of their respective businesses and the value of their respective properties.

- (oo) The Vericity Parties have not relied upon the Agents or their legal counsel for any legal, tax or accounting advice in connection with the Conversion.
- (pp) The statistical and market related data contained in any Permitted Free Writing Prospectus, the Prospectus and the Registration Statement are based on or derived from sources which the Vericity Parties believe were reliable and accurate at the time they were filed with the Commission. No forward-looking statement (within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act) contained in the Registration Statement, the Prospectus, or any Permitted Free Writing Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.
- (qq) None of Vericity, Members Mutual, or any of its subsidiaries nor, to the knowledge of Members Mutual, any other person associated with or acting on behalf of Members Mutual or any of its subsidiaries has violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

Any certificates signed by an officer of any of the Vericity Parties and delivered to the Agents or their counsel that refer to this Agreement shall be deemed to be a representation and warranty by the Vericity Parties to the Agent as to the matters covered thereby with the same effect as if such representation and warranty were set forth herein.

7. Representations and Warranties of the Agents. Each Agent, severally and not jointly, represents and warrants to the Vericity Parties that:

- (a) Such Agent is duly organized and is validly existing in good standing under the laws of the state of its organization, with full power and authority to provide the services to be furnished to the Vericity Parties hereunder.
- (b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of such Agent, and this Agreement and the Advisory Letter Agreement are the legal, valid and binding agreement of such Agent, enforceable in accordance with their terms except as the legality, validity, binding nature and enforceability thereof may be limited by (i) bankruptcy, insolvency, moratorium, conservatorship, receivership or other similar laws relating to or affecting the enforcement of creditors' rights generally; (ii) general equity principles regardless of whether such enforceability is considered in a proceeding in equity or at law; and (iii) the extent, if any, that the provisions of Sections 11 or 12 hereof may be unenforceable as against public policy.
- (c) Such Agent and each of its employees, agents and representatives who shall perform any of the services hereunder has, and until the Offering is completed or terminated shall maintain, all licenses, approvals and permits necessary to perform such services.

- (d) No action, suit, charge or proceeding before the Commission, FINRA, any state securities commission or any court is pending, or to the knowledge of such Agent threatened, against such Agent which, if determined adversely to such Agent, would have a material adverse effect upon the ability of such Agent to perform its obligations under this Agreement.
- (e) Such Agent is registered as a broker/dealer pursuant to Section 15(b) of the 1934 Act and is a member of FINRA.
- (f) Any funds received in the Offering by such Agent from prospective purchasers of the Shares shall be delivered by such Agent to Computershare Trust Company, N. A., as escrow agent (the “Escrow Agent”) for deposit in the escrow account established under the Escrow Agreement dated January 18, 2019, by and among Vericity, Raymond James, and the Escrow Agent (the “Escrow Agreement”), by noon of the next business day after receipt by the Agent, together with a written account of each purchaser which sets forth, among other things, the name and address of the purchaser, the number of Shares for which subscriptions or orders have been placed and the amount paid therefor. Any checks received by the Agent that are made payable to any party other than the Escrow Agent, shall be returned to the purchaser who submitted the check and not accepted.

8. Covenants of the Vericity Parties. The Vericity Parties hereby jointly and severally covenant with the Agents as follows:

- (a) Vericity will not, at any time after the date the Registration Statement is declared effective, file any amendment or supplement to the Registration Statement without providing the Agents and their counsel an opportunity to review such amendment or supplement or, except as may be required by law, file any amendment or supplement to which amendment or supplement the Agents or their counsel shall reasonably object. Vericity will furnish promptly to the Agents and its counsel copies of all correspondence from the Commission with respect to the Registration Statement and Vericity’s responses thereto.
- (b) Vericity represents and agrees that, unless it obtains the prior consent of the Agents, and the Agents represent and agree that, unless they obtain the prior consent of Vericity, they have not made and will not make any offer relating to the offered Shares that would constitute an “issuer free writing prospectus,” as defined in Rule 433, or that would constitute a “free writing prospectus,” as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by Vericity and the Agents is hereinafter referred to as a “Permitted Free Writing Prospectus.” Vericity represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an “issuer free writing prospectus,” as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. Vericity need not treat any communication as a free writing prospectus if it is exempt from the definition of prospectus pursuant to Clause (a) of Section 2(a)(10) of the 1933 Act without regard to Rule 172 or 173.

- (c) The Vericity Parties will use commercially reasonable efforts to cause any post-effective amendment to the Registration Statement to be declared effective by the Commission and will immediately upon receipt of any information concerning the events listed below notify the Agents (i) when the Registration Statement, as amended, has become effective; (ii) of any request by the Commission or any other governmental entity for any amendment or supplement to the Registration Statement, or of any request for additional information; (iii) of the issuance by the Commission or any other governmental agency of any order or other action suspending the Offering or the use of the Registration Statement or the Prospectus or any other filing of the Vericity Parties under the 1933 Act, the 1933 Act Regulations, the 1934 Act, and the rules and regulations of the Commission promulgated under the 1934 Act (the “1934 Act Regulations”), the Illinois Conversion Law or any other applicable law; or (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the initiation of any proceedings for that purpose.
- (d) The Vericity Parties will comply in all material respects with any and all terms, conditions, requirements and provisions with respect to the Offering and the transactions contemplated thereby imposed by the Commission or the Director, by applicable state law and regulations (including without limitation the Illinois Conversion Law), and by the 1933 Act, the 1933 Act Regulations, the 1934 Act, and 1934 Act Regulations, FINRA, and the NASDAQ Stock Market, to be complied with prior to or subsequent to the Closing Time; and during the period when the Prospectus is required to be delivered under the 1933 Act Regulations, the Vericity Parties will comply in all material respects, at their own expense, with all material requirements imposed upon them by the Commission or the Director, by applicable state law and regulations and by the 1933 Act, the 1933 Act Regulations, the 1934 Act, and the 1934 Act Regulations, in each case as from time to time in force, so far as necessary to permit the continuance of sales or dealing in the Shares during such period in accordance with the provisions hereof and the Prospectus. If an updated valuation of the Company is prepared by Boenning & Scattergood, Inc. following the Offering and the value of Members Mutual determined by such updated valuation is not within the valuation range set forth in the Prospectus at the time of effectiveness and Vericity decides to resolicit subscriptions, Vericity will promptly prepare and file with the Commission a post-effective amendment to the Registration Statement relating to the results of the updated valuation prior to any resolicitation of subscriptions.
- (e) Within the time period during which the Prospectus relating to the Shares is required to be delivered under the 1933 Act Regulations, the Vericity Parties will inform the Agents of any event or circumstances of which they are or become aware as a result of which the Registration Statement and/or Prospectus, as then

supplemented or amended, would include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading. If it is necessary, in the reasonable opinion of counsel for the Vericity Parties and in the reasonable opinion of the Agents' counsel, to amend or supplement the Registration Statement or the Prospectus in order to correct such untrue statement of a material fact or to make the statements therein not misleading in light of the circumstances existing at the time of their use, the Vericity Parties will, at their expense, prepare and file with the Commission, as necessary under applicable federal and state rules and regulations, and furnish to the Agents a reasonable number of copies of an amendment or amendments of, or a supplement or supplements to, the Registration Statement and the Prospectus (in form and substance reasonably satisfactory to the Agents and their counsel after a reasonable time for review) which will amend or supplement the Registration Statement and/or the Prospectus so that as amended or supplemented it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time, not misleading. For the purpose of this subsection, each of the Vericity Parties will furnish such information with respect to itself as the Agents may from time to time reasonably request.

- (f) Pursuant to the terms of the Plan, Vericity will endeavor in good faith, in cooperation with the Agents, to register or to qualify the Shares for offer and sale or to exempt such Shares from registration and to exempt Vericity and its officers, directors and employees from registration as broker-dealers, under the applicable securities laws of the jurisdictions in which the Offering will be conducted; *provided, however*, that Vericity shall not be obligated to file any general consent to service of process, to qualify as a foreign corporation to do business in any jurisdiction in which it is not so qualified, or to register its directors or officers as brokers, dealers, salesmen, or agents in any jurisdiction. In each jurisdiction where any of the Shares shall have been registered or qualified as above provided, Vericity will make and file such statements and reports as are or may be required by the laws of such jurisdiction as a result of, or in connection with, such registration or qualification for a period of one year from the effective date of the Registration Statement.
- (g) Vericity will not sell or issue, contract to sell or otherwise dispose of, for a period of 180 days after the date hereof, without the Agents' prior written consent, which consent shall not be unreasonably withheld, any shares of Common Stock other than in connection with any employee benefit plan or arrangement described in the Prospectus.
- (h) For the period of three years from the date of this Agreement (and provided that Vericity is subject to the reporting requirements under Section 15(d) or Section 13 of the Exchange Act), Vericity will furnish to the Agents upon request (i) a copy of each report of Vericity furnished to or filed with the Commission under the 1934 Act or any national securities exchange or system or the NASDAQ Stock

Market on which any class of securities of Vericity is listed or quoted, (ii) a copy of each report of Vericity mailed to holders of Common Stock or non-confidential report filed with the Commission, the Department, or any other supervisory or regulatory authority or any national securities exchange or system or the NASDAQ Stock Market on which any class of the securities of Vericity is listed or quoted, and (iii) each press release and material news item and article released by the Vericity Parties; *provided that*, any information or documents available on the Commission's Electronic Data Gathering, Analysis and Retrieval System shall be considered furnished for purposes of this Section 8(h).

- (i) The Vericity Parties will use the net proceeds from the sale of the Shares substantially in the manner set forth in the Prospectus under the caption "USE OF PROCEEDS."
- (j) Vericity will distribute the Prospectus or other offering materials in connection with the offering and sale of the Common Stock only in accordance with the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations, and the laws of any state in which the shares are qualified for sale.
- (k) Prior to the Closing Time, Vericity shall register its Common Stock under Section 12(b) of the 1934 Act, as amended, and will request that such registration statement be effective as of the Closing Time. Vericity will use commercially reasonable efforts to list, subject to notice of issuance, the Shares on the NASDAQ Stock Market.
- (l) For so long as the Common Stock is registered under the 1934 Act, Vericity will furnish to its stockholders after the end of each fiscal year, in the time periods prescribed by applicable law and regulations, such reports and other information as are required to be furnished to its stockholders under the 1934 Act (including consolidated financial statements of Vericity and its subsidiaries, certified by independent public accountants).
- (m) Vericity will report the use of proceeds of the Offering in accordance with Rule 463 under the 1933 Act.
- (n) The Vericity Parties will promptly deliver to Raymond James all funds received by any of the Vericity Parties from persons mailing subscriptions for or orders to purchase Shares.
- (o) Until the Closing Time, the Vericity Parties will take such actions and furnish such information as are reasonably requested by the Agents in order for the Agents to ensure compliance with Rule 5130 of FINRA.
- (p) The Vericity Parties will conduct their businesses in compliance in all material respects with all applicable federal and state laws, rules, regulations, decisions, directives and orders including, all decisions, directives and orders of the Commission and the Department.

- (q) The Vericity Parties shall comply in all material respects with any and all terms, conditions, requirements and provisions with respect to the Plan and the transactions contemplated thereby imposed by the Commission, the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations to be complied with subsequent to the Closing Time. Vericity will comply in all material respects with all provisions of all undertakings contained in the Registration Statement.
- (r) The Vericity Parties will not amend the Plan in any manner that would materially affect the sale of the Shares or the terms of this Agreement without the consent of the Agents, which consent shall not be unreasonably withheld or delayed.
- (s) Vericity shall provide the Agents with any information necessary to assist with the allocation of the Shares in the Offering in the event of an oversubscription, and such information shall be accurate and reliable in all material respects.
- (t) Vericity will not deliver the Shares until the Vericity Parties have satisfied or caused to be satisfied each condition set forth in Section 10 hereof, unless such condition is waived in writing by the Agents.
- (u) Immediately upon completion of the sale by Vericity of the Shares contemplated by the Plan and the Prospectus, all of the issued and outstanding shares of capital stock of Members Mutual shall be owned by Vericity.
- (v) Prior to the Closing Time, the Plan shall have been approved by the eligible voting members of Members Mutual in accordance with the provisions of the Illinois Conversion Law and Members Mutual's articles and bylaws.
- (w) On or before the Closing Time, the Vericity Parties will have completed all conditions precedent to the Offering specified in the Plan and the offer and sale of the Shares will have been conducted in all material respects in accordance with the Plan and with all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Offering imposed upon any of the Vericity Parties by the Department, the Commission or any other regulatory authority and in the manner described in the Prospectus.
- (x) If required and not previously filed with the Commission, Vericity will promptly file the Prospectus and any supplemental sales literature with the Commission.

9. Payment of Expenses. The Vericity Parties will pay for all expenses in connection with the Offering customarily borne by issuers, including without limitation: (a) the preparation, printing, filing, delivery and shipment of the Registration Statement, including the Prospectus, and all amendments and supplements thereto, and all filing fees related thereto; (b) all filing fees and expenses in connection with the qualification or registration of the Shares for offer and sale by Vericity under the securities or "blue sky" laws, including without limitation filing fees, reasonable legal fees and disbursements of counsel in connection therewith, and in connection

with the preparation of a blue sky law survey; (c) the filing fees of FINRA related to the Agent's fairness filing under Rule 5110 (or any successor rule of FINRA); (e) fees and expenses related to the preparation of the Appraisal; (f) fees and expenses related to auditing and accounting services; (g) costs of printing and distributing the Prospectus and other offering materials and operational expenses for the stock information center; and (h) transfer agent fees and costs of preparation and distribution of stock certificates or statements of ownership of uncertificated shares. In the event that the Agents incur any out-of-pocket expenses on behalf of the Vericity Parties, the Vericity Parties will pay or reimburse the Agents for such expenses regardless of whether the Offering is successfully completed. The Vericity Parties also agree to reimburse the Agents for reasonable legal fees and expenses provided that such legal fees and expenses will not exceed \$207,500 unless otherwise agreed to in writing by Members Mutual. Not later than two days prior to the Closing Time, the Agents will provide the Vericity Parties with a detailed accounting of all reimbursable expenses to be paid at the Closing.

10. Conditions to the Agents' Obligations. The obligations of the Agents hereunder and the occurrence of the Closing are subject to the conditions that (i) all representations and warranties of the Vericity Parties herein contained are, at and as of date hereof and at and as of the Closing Time, true and correct in all material respects, and (ii) the Vericity Parties shall have performed all of their obligations hereunder to be performed on or before such dates, and to the following further conditions:

- (a) The Registration Statement shall have been declared effective by the Commission, and no stop order or other action suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or, to any of the Vericity Parties' knowledge, threatened by the Commission or any state authority and no order or other action suspending the authorization for use of the Prospectus or the consummation of the Conversion shall have been issued or proceedings therefor initiated or, to any of the Vericity Parties' knowledge, threatened by the Department, the Commission, or any other governmental body. The Plan shall have been approved by the Director.
- (b) At the Closing Time, the Agents shall have received:

(1) The opinion, dated as of the Closing Time, of Locke Lord LLP, as counsel to the Vericity Parties, in form and substance satisfactory to counsel for the Agents, to the effect that:

- (i) Vericity has been incorporated and is a corporation existing and in good standing under the General Corporation Law of the State of Delaware, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus.
- (ii) Prior to the Closing Time Members Mutual was an Illinois domiciled mutual holding company organized under 215 ILCS 5/59.2, and after the Closing Time will be an Illinois domiciled stock company that converted an Illinois domiciled mutual holding company organized under 215 ILCS 5/59.1, with corporate power and authority as specified in 215 ILCS 5/59.2 (10)-(13) and 215 ILCS 5/59.1(11), respectively.

- (iii) The authorized capital stock of Vericity consists of 30,000,000 shares of Common Stock, \$0.001 par value. Immediately upon consummation of the Offering, (a) the issued and outstanding capital stock of Vericity will be within the range set forth in the Prospectus under the caption “Capitalization”; (b) the shares of Common Stock of Vericity sold in the Offering will have been duly and validly authorized for issuance, and when issued and delivered by Vericity pursuant to the Plan against payment of the consideration calculated as set forth in the Plan, will be fully paid and nonassessable; and (c) the issuance of the shares of Common Stock of Vericity will not be subject to preemptive rights under the certificate of incorporation or bylaws of Vericity or the General Corporation Law of the State of Delaware.
- (iv) This Agreement has been authorized, executed and delivered by the Vericity Parties.
- (v) The Plan has been adopted by the Board of Directors of Members Mutual in the manner required by Members Mutual’s articles of incorporation and bylaws and the Illinois Conversion Law.
- (vi) The Registration Statement has become effective under the 1933 Act. To such counsel’s knowledge, based solely on a review of the Stop Orders page of the Commission’s website (<http://www.sec.gov/litigation/stoporders.shtml>) on the date hereof, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act, or notice objecting to its use pursuant to Rule 401(g)(2) has been issued by the Commission.
- (vii) The Registration Statement and the Prospectus, as of their most recent effective or issue dates (other than the financial statements, related notes and schedules and other financial or statistical data derived therefrom or assessments of or reports on the effectiveness of internal control over financial reporting included or incorporated by reference therein or omitted therefrom, and the appraisal valuation, all as to which counsel need express no opinion), complied as to form in all material respects with the requirements of the 1933 Act.
- (viii) The information in the Prospectus under the captions “BUSINESS — Regulation,” and “DESCRIPTION OF CAPITAL STOCK,” in so far as they purport to summarize certain matters of law constitute fair summaries of such matters of law in all material.

- (ix) None of the Vericity Parties is, and after receipt of payment for the Shares and the application of the proceeds thereof as contemplated under the caption “Use of Proceeds” in the Prospectus will not be, an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

In rendering such opinion, such counsel may rely as to matters of fact, without independent investigation, on certificates of responsible officers of the Vericity Parties (to the extent relevant) and public officials, provided copies of any such certificates are delivered to Agents together with the opinion to be rendered hereunder. Such opinion may be limited to the laws of Illinois and Delaware and the federal securities laws of the United States of America, as applicable, and such opinion will not be deemed to be rendering any opinion or any other statements regarding the laws of any other state.

(2) A letter of Locke Lord LLP addressed to the Agents to the effect that during the preparation of the Registration Statement, the General Disclosure Package, and the Prospectus, representatives of Locke Lord LLP participated in conferences with certain officers of and other representatives of the Vericity Parties, counsel to the Agents, representatives of the independent public accounting firm for the Vericity Parties and representatives of the Agents at which the contents of the Registration Statement, the General Disclosure Package, and the Prospectus and related matters were discussed, and although (without limiting the opinions provided pursuant to Section 10(b)(1)(ix)) Locke Lord LLP has not independently verified and are not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the General Disclosure Package, and Prospectus, solely on the basis of the information obtained in the course of engagement as counsel (and relying as to factual matters on the statements of and information provided by officers and other representatives of the Vericity Parties), nothing has come to the attention of the representatives of Locke Lord LLP providing services to the Company that would lead them to believe (i) that the Registration Statement at the time the Registration Statement became effective under the 1933 Act, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) that the General Disclosure Package, as of the Applicable Time, included any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or (iii) that the Prospectus, at the time it was filed with the Commission pursuant to Rule 424(b) under the 1933 Act or as of the date of the letter, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that counsel need not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the General Disclosure Package and the Prospectus, and counsel need not express any belief with respect to the financial statements, related notes and schedules and other financial and statistical data included, statistical or appraisal methodology employed, or information concerning internal controls over financial reporting contained in, the Registration Statement, Prospectus or General Disclosure Package or in each case omitted therefrom).

(3) The opinion, dated as of the Closing Time, of John Buchanan, general counsel to the Vericity Parties, in form and substance satisfactory to counsel for the Agents, to the effect that:

- (i) Efinancial is a duly organized and validly subsisting limited liability company under the laws of the State of Washington, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus.
- (ii) Fidelity is an Illinois legal reserve life insurance company duly incorporated and validly subsisting under the laws of the State of Illinois with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into this Agreement and perform its obligations hereunder. Fidelity has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and to carry on an insurance business pursuant to and to the extent of the certificates of authority issued under the laws of the State of Illinois and each other jurisdiction in which it is licensed to carry on an insurance business.
- (iii) Immediately prior to the Closing Time, Vericity has one share of capital stock issued and outstanding that is owned by Members Mutual.

(4) The favorable opinion, dated as of the Closing Time, of counsel for the Agents, with respect to such matters as the Agents may reasonably require; such opinion may rely, as to matters of fact, upon certificates of officers and directors of the Vericity Parties delivered pursuant hereto or as such counsel may reasonably request, and the Agents agree that such opinion may rely upon the opinion of counsel to the Vericity Parties or other counsel acceptable to the Agents.

(5) A blue sky memorandum from Stevens & Lee, P.C. addressed to the Vericity Parties and the Agents relating to the Offering, including the Agents' participation therein. The Blue Sky Memorandum will address the necessity of obtaining or confirming exemptions, qualifications or the registration of the Shares under applicable state securities law.

- (c) Concurrently with the execution of this Agreement, the Agents shall receive a letter from Deloitte Touche LLP, dated the date hereof and addressed to the Agents, in the form set forth in Exhibit A hereto.
- (d) At the Closing Time, the Agents shall receive a letter from Deloitte Touche LLP dated the Closing Time, addressed to the Agents, confirming the statements made by its letter delivered by it pursuant to subsection (c) above, the "specified date" referred to in clause (iii)(C) and (D) thereof to be a date specified in such letter, which shall not be more than three business days prior to the Closing Time.
- (e) At the Closing Time, the Shares shall have been approved for listing on the NASDAQ Stock Market.

- (f) At the Closing Time, counsel to the Agents shall have been provided with (i) corporate good standing certificates with respect to the Vericity Parties and Efinancial, (ii) copies of the articles of incorporation or certificates of formation or organization with respect to the Vericity Parties and Efinancial, certified by the jurisdiction in which such entity is incorporated or organized, (iii) copies of bylaws or operating agreements respect to the Vericity Parties and Efinancial and resolutions of the board of directors or board of managers of such entities with respect to entering into this Agreement and, with respect to Vericity, the issuing of the Shares, certified by the corporate secretary of such entity.
- (g) At the Closing Time, the Agents shall receive a certificate of the Chief Executive Officer and Chief Financial Officer of Vericity, dated as of the Closing Time, to the effect that: (i) they have examined the Prospectus and, based on their knowledge, at the time the Prospectus became authorized for final use, the Prospectus did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (ii) since the date the Prospectus became authorized for final use, no event has occurred which should have been set forth in an amendment or supplement to the Prospectus which has not been so set forth, including specifically, but without limitation, any event constituting a Material Adverse Effect; (iii) since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, there has been no Material Adverse Effect; (iv) the representations and warranties contained in Section 6 of this Agreement are true and correct in all material respects with the same force and effect as though made at and as of the Closing Time; (v) each of the Vericity Parties has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time including the conditions contained in this Section 10; (vi) no stop order suspending the effectiveness of the Registration Statement has been issued or, to their knowledge, is threatened, by the Commission or any other governmental body; (vii) no order suspending the Offering, the Conversion or the use of the Prospectus has been issued and, to their knowledge, no proceedings for any such purpose have been initiated or threatened by the Department, the Commission, or any other federal or state authority; and (viii) to their knowledge, no person has sought to obtain regulatory or judicial review of the final action of the Director with respect to the Plan.
- (h) Between the date hereof and the Closing Time, there shall not have been any material change, or any development that has occurred involving a Material Adverse Effect, otherwise than as set forth or contemplated in the Registration Statement and the Prospectus, the effect of which is in the Agents' reasonable judgment sufficiently material and adverse as to make it impracticable or inadvisable to proceed with the Offering or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus.

- (i) At or prior to the Closing Time, the Illinois Director of Insurance shall have issued a letter or order (i) to Members Mutual, which shall have the force of approving the Plan, and (ii) to the Standby Purchaser approving the acquisition by the Standby Purchaser of greater than 10% of the outstanding shares of common stock of Vericity.
- (j) Subsequent to the date hereof and until the Closing Time, there shall not have occurred any of the following: (i) a suspension or limitation in trading in securities generally on the New York Stock Exchange or in the over-the-counter market, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required by either of such exchanges or FINRA or by order of the Commission or any other governmental authority other than temporary trading halts (A) imposed as a result of intraday changes in the Dow Jones Industrial Average, (B) lasting no longer than until the regularly scheduled commencement of trading on the next succeeding business-day, and (C) which, when combined with all other such halts occurring during the previous five business days, total less than three; (ii) a general moratorium on the operations of federally-insured financial institutions or general moratorium on the withdrawal of deposits from federally-insured financial institutions declared by either federal or state authorities; or (iii) any outbreak of hostilities or escalation thereof or other calamity or crisis, including, without limitation, terrorist activities after the date hereof, the effect of any of (i) through (iii) herein, in the reasonable judgment of the Agents, is so material and adverse as to make it impracticable to market the Shares or to enforce contracts, including subscriptions or purchase orders, for the sale of the Shares.
- (k) In the event that subscriptions and orders for less than 14,875,000 shares of Common Stock are received and accepted in the Subscription Offering and the Community Offering, the closing of the Standby Offering pursuant to the terms and conditions of the Standby Purchase Agreement shall be consummated simultaneously with the Closing hereunder

All such opinions, certificates, letters and documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to the Agents and the Vericity Parties.

11. Indemnification.

- (a) The Vericity Parties jointly and severally agree to indemnify and hold harmless the Agents, and their respective officers, directors, agents, and employees and each person, if any, who controls such Agent within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to settlement expenses, subject to the limitation set forth in the last sentence of Paragraph (c) below), joint or several, that the Agents or any of such officers, directors, agents, employees and controlling persons (collectively, the "Related Persons") may

suffer or to which the Agents or the Related Persons may become subject under all applicable federal and state laws or otherwise, and to promptly reimburse the Agents and any Related Persons upon written demand for any reasonable expenses (including reasonable fees and disbursements of counsel) incurred by the Agents or any Related Persons in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions: (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), the General Disclosure Package, the Proxy Statement, any Issuer-Represented Free Writing Prospectus or any blue sky application or other instrument or document executed by any of the Vericity Parties or based upon written information supplied by any of the Vericity Parties filed in any state or jurisdiction to register or qualify any or all of the Shares under the securities laws thereof of to claim an exemption therefrom (collectively, the “Blue Sky Applications”), or any application or other document, advertisement, or communication (“Sales Information”) prepared, made or executed by or on behalf of any of the Vericity Parties with its consent or based upon written or oral information furnished by or on behalf of any of the Vericity Parties, whether or not filed in any jurisdiction in order to qualify or register the Shares under the securities laws thereof or to claim an exemption therefrom, (ii) arise out of or are based upon the omission or alleged omission to state in any of the foregoing documents or information, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) arise from any theory of liability whatsoever relating to or arising from or based upon the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), any Issuer-Represented Free Writing Prospectus, or any Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering; or (iv) result from any claims made with respect to the accuracy, reliability and completeness of the records of policy holders, including without limitation, Eligible Members, or for any denial or reduction of a subscription or order to purchase Common Stock, whether as a result of a properly calculated allocation pursuant to the Plan or otherwise, based upon such records; *provided, however*, that no indemnification is required under this Paragraph (a) to the extent such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue material statements or alleged untrue material statements in, or material omission or alleged material omission from, the Registration Statement (or any amendment or supplement thereto) or the Prospectus (or any amendment or supplement thereto), any Issuer-Represented Free Writing Prospectus, the Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering made in reliance upon and in conformity with written information furnished to the Vericity Parties by the Agents or their respective representatives with respect to the Agents expressly for use in any such document (or any amendment or supplement thereto); *provided*, that it is agreed and understood that the only information furnished in writing to the Vericity Parties, by the Agents regarding the Agents contained in the Registration Statement and in the Prospectus is the Agent Information.

- (b) Each Agent, severally but not jointly, agrees to indemnify and hold harmless the Vericity Parties, their directors and officers, agents, and employees and each person, if any, who controls any of the Vericity Parties within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to settlement expenses, subject to the limitation set forth in the last sentence of Paragraph (c) below), joint or several, which they, or any of them, may suffer or to which they, or any of them, may become subject under all applicable federal and state laws or otherwise, and to promptly reimburse the Vericity Parties and any such persons upon written demand for any reasonable expenses (including reasonable fees and disbursements of counsel) incurred by them in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), any Issuer-Represented Free Writing Prospectus, or any Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering, or (ii) are based upon the omission or alleged omission to state in any of the foregoing documents a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that each Agent's obligations under this Section shall exist only if and only to the extent that such untrue statement or alleged untrue statement was made in, or such material fact or alleged material fact was omitted from, the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), the Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering in reliance upon and in conformity with written information furnished to any of the Vericity Parties by such Agent or its representatives (including counsel) with respect to such Agent expressly for use therein; *provided*, that it is agreed and understood that the only information furnished in writing to the Vericity Parties by the Agents regarding the Agents contained in the Registration Statement and the Prospectus is the Agent Information.
- (c) Each indemnified party shall give prompt written notice to each indemnifying party of any action, proceeding, claim (whether commenced or threatened), or suit instituted against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have on account of this Section 11, Section 12 or otherwise, except to the extent that such failure or delay causes actual harm to the indemnifying party with respect to such action, proceeding, claim or suit. An indemnifying

party may participate at its own expense in the defense of such action. In addition, if it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it reasonably acceptable to the indemnified parties that are defendants in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them that are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action, proceeding or claim, other than reasonable costs of investigation. In no event shall the indemnifying parties be liable for the fees and expenses of more than one separate firm of attorneys (unless an indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or in addition to those of other indemnified parties) for all indemnified parties in connection with any one action, proceeding or claim or separate but similar or related actions, proceedings or claims in the same jurisdiction arising out of the same general allegations or circumstances. The indemnifying party shall be liable for any settlement of any claim against the indemnified party (or its directors, officers, employees, affiliates or controlling persons) made with the indemnifying party's consent, which consent shall not be unreasonably withheld. The indemnifying party shall not, without the written consent of indemnified party, settle or compromise any claim against the indemnified party based upon circumstances giving rise to an indemnification claim against the indemnifying party hereunder unless such settlement or compromise provides that indemnified party and the other indemnified parties shall be unconditionally and irrevocably released from all liability in respect of such claim.

12. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 11 is due in accordance with its terms but is found in a final judgment by a court to be unavailable from the Vericity Parties or the Agents, the Vericity Parties and the Agents shall contribute to the aggregate losses, claims, damages and liabilities of the nature contemplated by such indemnification (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding, but after deducting any contribution received by the Vericity Parties or the Agents from persons other than the other parties thereto, who may also be liable for contribution) in such proportion so that (i) the Agents are responsible for that portion represented by the percentage that the fees paid to the Agents pursuant to Section 4 of this Agreement (not including expenses) ("Agent's Fees") bear to the total proceeds received by the Vericity Parties from the sale of the Shares in the Offering, net of the Agent's Fees, and (ii) the Vericity Parties shall be responsible for the balance. If, however, the allocation provided above is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative fault of the Vericity Parties on the one hand and the Agents on the other in connection with the statements or omissions which resulted in such losses, claims, damages or

liabilities (or actions, proceedings or claims in respect thereof), but also the relative benefits received by the Vericity Parties on the one hand and the Agents on the other from the Offering, as well as any other relevant equitable considerations. The relative benefits received by the Vericity Parties on the one hand and the Agents on the other hand shall be deemed to be in the same proportion as the total proceeds from the Offering, net of the Agent's Fees, received by the Vericity Parties bear to the Agent's Fees. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Vericity Parties on the one hand or the Agents on the other and the parties relative intent, good faith, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Vericity Parties and the Agents agree that it would not be just and equitable if contribution pursuant to this Section 12 were determined by pro-rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 12. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or action, proceedings or claims in respect thereof) referred to above in this Section 12 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. It is expressly agreed that the Agents shall not be liable for any loss, liability, claim, damage or expense or be required to contribute any amount which in the aggregate exceeds the amount paid (excluding reimbursable expenses) to the Agents under this Agreement. It is understood and agreed that the above-stated limitation on the Agents' liability is essential to the Agents and that the Agents would not have entered into this Agreement if such limitation had not been agreed to by the parties to this Agreement. No person found guilty of any fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation. For purposes of this Section 12, each of either Agent's and the Vericity Parties' officers and directors and each person, if any, who controls such Agent or any of the Vericity Parties within the meaning of the 1933 Act and the 1934 Act shall have the same rights to contribution as the Vericity Parties and such Agent. Any party entitled to contribution, promptly after receipt of notice of commencement of any action, suit, claim or proceeding against such party in respect of which a claim for contribution may be made against another party under this Section 12, will notify such party from whom contribution may be sought, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any other obligation it may have hereunder or otherwise than under this Section 12, except to the extent that such failure or delay causes actual harm to the indemnifying party with respect to such action, proceeding, claim or suit. The obligations of the parties under this Section 12 and under Section 11 shall be in addition to any liability which the Vericity Parties and the Agents may otherwise have.

13. Survival. All representations, warranties and indemnities and other agreements contained in this Agreement or contained in certificates of officers of the Vericity Parties or the Agents submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of the Agents or their respective controlling persons, or by or on behalf of the Vericity Parties and shall survive the issuance of the Shares.

14. Termination.

- (a) Agents may terminate this Agreement by giving the notice indicated below in this Section at any time after the date hereof and prior to the Closing Time as follows:
 - (i) If any domestic or international event or act or occurrence has materially disrupted the United States securities markets such as to make it, in the Agents' reasonable opinion, impracticable to proceed with the offering of the Shares; or if trading on the NYSE or the Nasdaq Stock Market shall have suspended (except that this shall not apply to the imposition of NYSE trading collars imposed on program trading); or if the United States shall have become involved in a war or major hostilities or escalation thereof; or if a general banking moratorium has been declared by a state or federal authority which has a material effect on the Vericity Parties on a consolidated basis; or if a moratorium in foreign exchange trading by major international banks or persons has been declared.
 - (ii) In the event that (x) the Plan is abandoned or terminated by Members Mutual, (y) Vericity fails to consummate the sale of the minimum number of the Shares by September 30, 2019, in accordance with the provisions of the Plan, or (z) the Agents terminate this relationship because there has been a Material Adverse Effect, this Agreement shall terminate and no party to this Agreement shall have any obligation to the other hereunder, except that (1) the Vericity Parties shall remain liable for any amounts due pursuant to Sections 3, 4, 9, 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Agents of a warranty, representation or covenant and (2) the Agents shall remain liable for any amount due pursuant to Sections 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Vericity Parties of a warranty, representation or covenant.
 - (iii) If any of the conditions specified in Section 10 (except for Section 10(b)(4), Section 10(b)(5), and Section 10(e)) shall not have been fulfilled when and as required by this Agreement, or by the Closing Time, or waived in writing by the Agents, this Agreement and all of the Agents' obligations hereunder may be canceled by the Agents by notifying Members Mutual or Vericity of such cancellation in writing at any time prior to the Closing Time, and any such cancellation shall be without liability of any party to any other party except that (x) the Vericity Parties shall remain liable for any amounts due pursuant to Section 4(b), so long as the Offerings are completed as described in the Prospectus, and Sections 9, 11 and 12 hereof, unless the transaction is not consummated due to breach by the Agents of a warranty, representation or covenant, and (y) the Agents shall remain liable for any amount due pursuant to Sections 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Vericity Parties of a warranty, representation or covenant.

- (iv) If the Agents cancel this Agreement because any of the conditions specified in Section 10 (except for Section 10(b)(4), Section 10(b)(5), and Section 10(e)) shall not have been fulfilled when and as required by this Agreement, or by the Closing Time, or waived in writing by the Agents, then the provisions of the Advisory Letter Agreement shall continue in effect in accordance with the terms thereof, provided that in no event shall Agents receive payment pursuant to the Advisory Letter Agreement for any amounts for which payment has already been made pursuant to this Agreement.
- (b) If Agents elect to terminate this Agreement as provided in this Section, Members Mutual or Vericity shall be notified by the Agents as provided in Section 15 hereof.
- (c) Any of the Vericity Parties may terminate this Agreement in the event the Agents are in material breach of the representations, warranties or covenants contained in this Agreement and such breach has not been cured within a reasonable time period after the Vericity Party has provided the Agents with notice of such breach.
- (d) This Agreement may also be terminated by mutual written consent of the parties hereto.

15. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed by United States certified mail, return receipt requested, or sent by a nationally recognized commercial courier promising next business day delivery (such as Federal Express) or transmitted by any standard form of telecommunication (such as facsimile or email) with confirming copy sent by regular U.S. mail. Notices shall be sent as follows:

If to Agents: Raymond James & Associates, Inc.
222 Riverside Plaza
Suite 700
Chicago, Illinois 60606
Attention: Patrick T. DeLacey, Vice Chairman of Investment
Banking
Facsimile:
Email: pat.delacey@raymondjames.com

Griffin Financial Group, LLC
620 Freedom Business Center
Suite 200
King of Prussia, PA 19406
Attention: Jeffrey P. Waldron, Senior Managing Director
Facsimile: (610) 371-7974
Email: jpw@griffinfinancialgroup.com

With a copy to: Stevens & Lee
111 North Sixth Street
Reading, Pennsylvania 19601
Attention: Wesley R. Kelso
Facsimile: (610) 236-4176
Email: wrk@stevenslee.com

If to the Vericity Parties: Members Mutual Holding Company
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
Attention: John Buchanan, Esq.,
General Counsel
Facsimile: (312) 288-0073
Email: John.Buchanan@fidelitylife.com

With a copy to: Locke Lord LLP
111 South Wacker Drive
Chicago, Illinois 60606
Attention: J. Brett Pritchard, Esquire
Facsimile: (312) 896-6773
Email: bpritchard@lockelord.com

Any party may change the address or other information for notices set forth above by written notice to the other parties, which notice shall be given in accordance with this Section 15.

16. Parties. This Agreement shall inure to the benefit of and be binding upon the Agents and the Vericity Parties and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers, directors, agents and employees referred to in Sections 11 and 12 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provisions herein contained.

17. Partial Invalidity. In the event that any term, provision or covenant herein or the application thereof to any circumstances or situation shall be invalid or unenforceable, in whole or in part, the remainder hereof and the application of said term, provision or covenant to any other circumstance or situation shall not be affected thereby, and each term, provision or covenant herein shall be valid and enforceable to the full extent permitted by law.

18. Governing Law and Construction. This Agreement shall be construed in accordance with the laws of the State of New York applicable to contracts executed and to be wholly performed therein without giving effects to its conflicts of laws principles or rules.

19. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Any signature delivered by facsimile or email (including any delivery by PDF) shall bind the parties hereto with the same effect as the delivery of a manually signed signature page.

20. Entire Agreement. This Agreement, including schedules and exhibits hereto, which are integral parts hereof and incorporated as though set forth in full, constitutes the entire agreement between the parties pertaining to the subject matter hereof superseding any and all prior or contemporaneous oral or prior written agreements, proposals, letters of intent and understandings (except for the Advisory Letter Agreement), and cannot be modified, changed, waived or terminated except by a writing which expressly states that it is an amendment, modification or waiver, refers to this Agreement and is signed by the party to be charged. No course of conduct or dealing shall be construed to modify, amend or otherwise affect any of the provisions hereof.

21. Waiver of Trial by Jury. Each of the Agents and the Vericity Parties waives all right to trial by jury in any action, proceeding, claim or counterclaim (whether based on contract, tort or otherwise) related to or arising out of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between you and us in accordance with its terms.

Very truly yours,

VERICITY, INC.

By: _____
James Hohmann, Chief Executive Officer

FIDELITY LIFE ASSOCIATION

By: _____
James Hohmann, Chief Executive Officer

MEMBERS MUTUAL HOLDING COMPANY

By: _____
James Hohmann, Chief Executive Officer

[COUNTERPART SIGNATURE OF AGENTS ON FOLLOWING PAGE]

The foregoing Agency Agreement is hereby confirmed and accepted as of the date first set and above written.

RAYMOND JAMES & ASSOCIATES, INC.

By: _____
Patrick T. DeLacey, Vice Chairman of Investment
Banking

GRIFFIN FINANCIAL GROUP, LLC

By: _____
Jeffery P. Waldron, Senior Managing Director

Exhibit A

Form of Comfort Letter from Deloitte Touche LLP

SECOND AMENDED AND RESTATED
MEMBERS MUTUAL HOLDING COMPANY
PLAN OF CONVERSION
FROM MUTUAL HOLDING COMPANY TO STOCK FORM

Adopted by the Board of Directors on July 31, 2018

and

Amended and Restated on September 16, 2018 and March 25, 2019

PLAN OF CONVERSION

FROM MUTUAL HOLDING COMPANY TO STOCK FORM

1. BACKGROUND AND REASONS FOR CONVERSION.

Members Mutual Holding Company (“Members Mutual”) believes that the state of the life insurance business in the United States currently presents it with the opportunity to extend its reach into its target market and provide affordable, accessible life insurance solutions to this market. With the development of its “**RAPID**Decision®” product portfolio and distribution processes that typically permit underwriting to be completed immediately or within 24 to 48 hours after the initial call, Members Mutual has sought to make the sale of life insurance simpler and more efficient. Following its conversion into a mutual holding company structure in 2007, Members Mutual has examined ways to increase its access to capital in order to pursue increased marketing, acquisitions and organic growth of distribution and sales of life insurance to the middle market. In furtherance of this objective, Members Mutual acquired Efinancial, LLC, a call center-based insurance agency, in 2009. Since then, Members Mutual has considered various alternatives ranging from maintenance of the status quo, mergers with other mutuals, expansion or acquisition of other lines of business or companies and various forms of demutualization of Members Mutual permitted by Illinois law, and has actively pursued certain of these alternatives at various times. However, none of those prior efforts resulted in a consummated transaction.

After careful study and consideration, Members Mutual has concluded that the subscription rights method of demutualization, backstopped by a standby purchaser that will commit to purchase enough unsubscribed shares in the subscription rights conversion to ensure the successful completion of the conversion offering, best suits Members Mutual’s circumstances. In reaching this conclusion, the Board of Directors of Members Mutual considered the difficulty Members Mutual would have executing a stand-alone subscription rights conversion and existing as a stand-alone public company over the next several years, given its history and outlook of reported GAAP losses. In addition, the Board considered that a standby purchaser may bring synergies that could be beneficial to the Company in helping it achieve its long term business objectives, including developing a profitable controlled distribution platform. Members Mutual also considered, among other things, that a subscription rights demutualization backstopped by a standby purchaser would:

- permit Members Mutual to undertake a substantial capital raising transaction;
- with additional capital from the conversion and an improved ability to access future capital as a publicly traded stock company, enable Members Mutual to seek to achieve scale and position it to execute against its middle market opportunity;
- substantially mitigate the risk of an unsuccessful offering because of the standby purchaser’s commitment;
- enhance corporate flexibility for future strategic options;

- afford members an opportunity to participate in the success of Members Mutual through the purchase of stock; and
- improve the visibility of the Fidelity Life and Efinancial brands.

Members Mutual believes that capital raised in a subscription rights demutualization transaction could be used for, among other initiatives, (i) to allocate capital to Fidelity Life in support of its risk-based capital and financial strength rating as needed to support ongoing new business growth; (ii) to deploy capital in order to reduce current reserve financing; (iii) to reduce the use of reinsurance to finance growth, while continuing to emphasize risk management; (iv) to make investments to strengthen infrastructure, including IT platforms; and (v) to selectively deploy new capital to acquire and bolster talent in key areas of competency linked to competitive advantage.

On July 31, 2018 (the “Adoption Date”), the Board of Directors of Members Mutual, after due deliberation, unanimously adopted the Members Mutual Holding Company Plan Of Conversion From Mutual Holding Company To Stock Form, under which Members Mutual proposes to convert from a mutual holding company to stock form in a subscription rights conversion under Section 59.1 of the Illinois Insurance Code. Members Mutual has organized Vericity, Inc., a Delaware corporation (“Vericity”), for the purpose of holding all the stock of Members Mutual after its conversion to stock form (“Converted Members Mutual”), and to offer and sell shares of common stock, par value \$.001 per share, of Vericity (the “Common Stock”) in the Offerings as described herein (capitalized terms not defined herein have the meanings given them in Section 2 hereof). The shares of Common Stock will be offered and sold in the Offerings first to qualifying offerees under the Subscription Offering and then, if applicable, to qualifying offerees under the Community Offering and then, if applicable, to the Standby Purchaser, which will commit to purchase such number of shares that will permit Members Mutual to complete the Conversion, as more fully described below. On March 25, 2019, the Board unanimously adopted this Second Amended and Restated Members Mutual Holding Company Plan Of Conversion From Mutual Holding Company To Stock Form that further amends and restates the plan adopted on July 31, 2018, as amended and restated on September 16, 2018 (including all Exhibits hereto, this “Plan”).

The conversion of Members Mutual from mutual holding company to stock form pursuant to this Plan must be approved by the Illinois Director pursuant to the applicable provisions of the Illinois Insurance Code and the 2007 Order approving the reorganization transaction by which the Company’s current mutual holding company structure was created. Accordingly, and in order to ensure that the allocation of subscription rights under this Plan is fair to members of Members Mutual, as a condition to the Offerings, Members Mutual will obtain the approval of the Illinois Director of this Plan and any related transactions contemplated hereby.

This Plan is subject to the approval of the Eligible Members in accordance with Section 59.1(4)(c)(i) of the Illinois Insurance Code.

2. DEFINITIONS.

As used in this Plan, the terms set forth below have the following meanings:

2.1. “Adoption Date” has the meaning specified in Section 1 hereof.

2.2. “Application” means the documents filed with the Illinois Director pursuant to Section 59.1(3)(b) of the Illinois Insurance Code constituting Members Mutual’s application for approval to convert from mutual holding company to stock form.

2.3. “Associate” when used to indicate a relationship with any Person, means (i) a corporation or organization (other than the Company or a majority-owned subsidiary of the same) of which such Person is a director, officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities; (ii) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person; and (iv) any Person acting in concert with any of the Persons or entities specified in clauses (i) through (iii) above.

2.4. “Boenning” means Boenning & Scattergood Inc., an independent investment banking firm experienced in the evaluation of insurance companies and their affiliates that has been retained by the Company to determine the Valuation Range.

2.5. “Closed Block” has the meaning specified in Section 17 hereof.

2.6. “Code” means the Internal Revenue Code of 1986, as amended.

2.7. “Collateral” has the meaning specified in Section 13 hereof.

2.8. “Common Stock” means the common stock, par value \$.001 per share, of Vericity, to be offered and sold in the Offerings.

2.9. “Community Offering” means the offering for sale by Vericity of shares of Common Stock not subscribed for in the Subscription Offering as set forth in Section 6 hereof.

2.10. “Company” means Members Mutual, individually, or together with Vericity Holdings, Fidelity Life, Efinancial and their respective subsidiaries, as the context requires.

2.11. “Conversion” means (i) the conversion of Members Mutual into stock form in a subscription rights conversion pursuant to Section 59.1 of the Illinois Insurance Code, (ii) the acquisition by Vericity of all the stock of Converted Members Mutual; and (iii) the offer and sale of Common Stock by Vericity in the Offerings, all in accordance with the terms of this Plan.

2.12. “Converted Members Mutual” means Members Mutual after its conversion to stock form pursuant to the terms of this Plan, with Vericity as its sole shareholder.

2.13. “Converted Members Mutual Charter” means the amended and restated articles of incorporation for Converted Members Mutual substantially in the form of Exhibit A hereto.

2.14. “Efinancial” means Efinancial, LLC, an insurance agency organized as a Washington limited liability company, with Vericity Holdings as its sole member.

2.15. “Effective Date” means the date that this Plan shall become effective, which shall be the date, after this Plan has been approved by the Illinois Director, on which the Eligible Members have approved this Plan and the Converted Members Mutual Charter has been adopted in accordance with 59.1(5) of the Illinois Insurance Code.

2.16. “Eligibility Record Date” means the Adoption Date.

2.17. “Eligible Member” means a Person who is a Member as of the Eligibility Record Date.

2.18. “Eligible Employee” means any natural person who is a full or part-time employee of the Company who meets such eligibility requirements to participate in the Employee Bonus Program as the Company may determine in its sole discretion.

2.19. “Employee Bonus Program” has the meaning given in Section 16.

2.20. “Form A” means the statement regarding the acquisition of control of a domestic insurer that Standby Purchaser shall file with the Illinois Director in connection with the Standby Purchaser’s agreement to purchase of shares of Common Stock in the Standby Offering as provided in Section 7 hereof.

2.21. “Fidelity Life” means Fidelity Life Association, a Legal Reserve Life Insurance Company organized as an Illinois stock life insurance company, which is a direct and wholly-owned subsidiary of Vericity Holdings.

2.22. “Fidelity Life MHC Conversion Plan” means the plan of conversion adopted by the Board of Directors of Fidelity Life on February 6, 2006 under Section 59.2 of the Illinois Insurance Code pursuant to which Fidelity Life was converted from mutual to stock form.

2.23. “Fixed Component” has the meaning given in Section 2.26.

2.24. “Illinois Director” means the Illinois Director of Insurance.

2.25. “Individual Management Maximum Purchase Limit” means the number of Subscription Rights allocated to each director and officer of the Company based on factors including years of service, positions held and compensation.

2.26. “Individual Maximum Purchase Limit” means the maximum purchase limit printed on the stock order form that is mailed to each Eligible Member. The maximum purchase limit is based on an allocation of (i) a minimum number (100) of Subscription Rights (the “Fixed Component”), regardless of the number of Qualifying Policies owned by such Eligible Member

in the same capacity , plus (ii) a variable number of Subscription Rights (the “Variable Component”), if any, determined based on actuarial formulas that take into account the past and anticipated future contributions to Fidelity Life’s surplus of all of the Eligible Members’ Qualifying Policies that were in force on the Adoption Date. Such allocations are done in accordance with the Actuarial Contribution Principles and Methodology memorandum that is attached as Exhibit B to this Plan and the Actuarial Contribution Memorandum that will be attached as Exhibit C to, and made a part of, this Plan prior to this Plan’s approval by the Illinois Director. Notwithstanding the Individual Maximum Purchase Limit applicable to any Eligible Member, no Eligible Member shall be entitled to purchase more than five percent (5%) of the total shares of Common Stock sold in the Offerings.

2.27. “Management Participant” means a director or officer of Members Mutual.

2.28. “Maximum of the Valuation Range” has the meaning given in Section 3(a).

2.29. “Member” means a Person who is the owner of an in-force policy of insurance issued by Fidelity Life, as provided under the bylaws of Members Mutual. Under a group policy, the Member shall be the holder of the master policy, and the holder of any certificate or contract issued subordinate to such master policy shall not be a Member unless such subordinate certificate or subordinate contract shall make specific provision of such membership. For the avoidance of doubt, a Person who is a party to a reinsurance agreement with Fidelity Life is not a Member by virtue thereof.

2.30. “Members Mutual” means Members Mutual Holding Company, an Illinois mutual insurance holding company, which is the holding company for Vericity Holdings and its direct and indirect subsidiaries.

2.31. “Minimum of the Valuation Range” has the meaning given in Section 3(a).

2.32. “Offerings” means the offering of shares of Common Stock pursuant to this Plan in the Subscription Offering, the Community Offering and the Standby Offering.

2.33. “Order Form” means the applicable form provided to a Person on behalf of Vericity, containing all such terms and provisions as set forth in Section 9 hereof by which Common Stock may be ordered in the Subscription Offering and the Community Offering.

2.34. “Participant” means a Person to whom Common Stock is offered under the Subscription Offering.

2.35. “Person” means any corporation, partnership, association, limited liability company, trust, or any other entity or a natural person.

2.36. “Plan” has the meaning given in Section 1 hereof.

2.37. “Prospectus” means the one or more documents to be used in offering the Common Stock in the Subscription Offering and the Community Offering.

2.38. “Purchase Price” means the price per share at which the Common Stock is ultimately sold by Vericity to Persons in the Offerings in accordance with the terms hereof.

2.39. “Qualifying Policy” means a policy of insurance issued by Fidelity Life and in force as of the close of business on the Eligibility Record Date. For the avoidance of doubt, a reinsurance agreement to which Fidelity Life is a party is not a Qualifying Policy.

2.40. “Registration Statement” means the registration statement on Form S-1 to be filed by Vericity with the SEC to register the shares of Common Stock to be offered and sold in the Subscription Offering and the Community Offering under the Securities Act of 1933, as amended.

2.41. “SEC” means the United States Securities and Exchange Commission.

2.42. “Special Meeting” has the meaning given in Section 12 hereof.

2.43. “Standby Offering” means a private offering of Common Stock to the Standby Purchaser, to be completed concurrently with the closing of the Subscription Offering and the Community Offering, of such number of shares that will permit Members Mutual to complete the Conversion, and such additional shares as the Standby Purchaser may be entitled to purchase under the Standby Purchase Agreement.

2.44. “Standby Purchaser” means, as permitted under Section 59.1(6)(e) of the Illinois Insurance Code, a Person that enters into a Standby Purchase Agreement with the Company and Vericity to purchase Common Stock in the Standby Offering.

2.45. “Standby Purchase Agreement” means the standby stock purchase agreement entered into by the Company, Vericity and the Standby Purchaser pursuant to which the Standby Purchaser has agreed to purchase any shares not subscribed for in the Subscription Offering up to the Minimum of the Valuation Range, and may purchase additional shares up to 51% of the shares sold in the Offerings, provided that no shares in excess of the Maximum of the Valuation Range may be sold in the Offerings.

2.46. “Subscription Offering” means the offering of the Common Stock that is described in Section 5 hereof.

2.47. “Subscription Rights” means non-transferable rights to subscribe for Common Stock in the Subscription Offering granted to Participants pursuant to the terms of this Plan.

2.48. “Trust Agreement” means the Trust Agreement dated as of April 30, 2007 between Members Mutual and the Trustee (or any successor trust agreement that Members Mutual may enter into with the consent of the Illinois Director).

2.49. “Trustee” means The Northern Trust Company, a national banking association (or any successor trustee as may be appointed with the consent of the Illinois Director), acting not in its individual capacity but solely as trustee for the benefit of the Fidelity Life policyholders under the Trust Agreement.

2.50. “Valuation Range” means the range of the value of the total number of shares of Common Stock to be issued in the Offerings, as determined by Boenning in accordance with Section 3 hereof, based on the estimated aggregate pro forma market value of Converted Members Mutual determined in accordance with Section 59.1(6)(f) of the Illinois Insurance Code.

2.51. “Vericity” means Vericity, Inc., the Delaware corporation organized and initially owned by Members Mutual for the purpose of holding all the stock of Converted Members Mutual and serving as the ultimate parent holding company for Converted Members Mutual, Vericity Holdings, Fidelity Life, Efinancial and their respective subsidiaries, and which, upon completion of the Conversion, will be owned by the Persons that purchase Common Stock in the Offerings.

2.52. “Vericity Holdings” means Vericity Holdings, Inc., a Delaware corporation that is the intermediate holding company for Fidelity Life and Efinancial and which, immediately upon completion of the Conversion, will be wholly owned by Converted Members Mutual, which in turn will be wholly owned by Vericity.

2.53. “2007 Order” means the Order of the Illinois Director dated January 30, 2007, approving the Fidelity Life MHC Conversion Plan under which the Company’s current mutual holding company structure was created.

3. TOTAL NUMBER OF SHARES AND PURCHASE PRICE OF COMMON STOCK.

The number of shares of Common Stock required to be offered and sold by Vericity in the Offerings will be determined as follows:

(a) Independent Appraiser. Boenning has been retained by the Company to determine the Valuation Range. The Valuation Range consists of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the “Maximum of the Valuation Range”) and a valuation fifteen percent (15%) below the midpoint valuation (the “Minimum of the Valuation Range”). The Valuation Range is based upon the financial condition and results of operations of the Company, a comparison of the Company with comparable publicly-held companies, and such other factors as Boenning deemed to be relevant, including that value which Boenning estimated to be necessary to attract a full subscription for the Common Stock. Boenning has submitted to Members Mutual the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

(b) Purchase Price. The Purchase Price in the Offerings will be \$10.00 per share and will be uniform as to all purchasers in the Offerings.

(c) Number of Shares of Common Stock to be Offered. The maximum number of shares of Common Stock to be offered in the Offerings shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

(d) Issuance of Shares. Immediately following the completion of the Subscription Offering, the following steps will be taken:

(i) *Subscription Offering Meets or Exceeds Maximum.* If the number of shares to which Eligible Members subscribe in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Maximum of the Valuation Range, then Vericity on the Effective Date, or as promptly as possible thereafter, shall issue shares of Common Stock to the subscribing Eligible Members; provided, however, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Subscription Offering. In the event of an oversubscription in the Subscription Offering by Eligible Members, shares of Common Stock shall be allocated among the subscribing Participants as provided in Section 5(a) below; provided, however, that no fractional shares of Common Stock shall be issued.

(ii) *Subscription Offering Meets or Exceeds Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than the Maximum of the Valuation Range, then Vericity on the Effective Date, or as promptly as possible thereafter, shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, then Vericity (A) in its sole discretion, subject to the limitations set forth in Section 6 hereof, may issue shares of Common Stock to subscribers in the Community Offering, and (B) shall issue to the Standby Purchaser the number of shares that the Standby Purchaser may request to purchase pursuant to the terms set forth in the Standby Purchase Agreement; provided, however, that the total number of shares of Common Stock issued to subscribing Participants in the Subscription Offering, subscribers whose subscriptions are accepted in the Community Offering, and to the Standby Purchaser, multiplied by the Purchase Price, shall not exceed the Maximum of the Valuation Range; and, provided further, that no fractional shares of Common Stock shall be issued.

(iii) *Subscription Offering Does Not Meet Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event Vericity (A) shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, (B) in its sole discretion, subject to the limitations set forth in Section 6 hereof, may issue shares of Common Stock to subscribers in the Community Offering, and (C) shall issue shares of Common Stock to the Standby Purchaser in an amount equal to the number of shares that the Standby Purchaser is obligated to purchase, and such additional shares that the Standby Purchaser may request to purchase pursuant to the terms set forth in the Standby Purchase Agreement; provided, however, that the total number of shares of Common Stock issued to subscribing Participants in the Subscription Offering, subscribers whose subscriptions are accepted in the Community Offering, and to the Standby Purchaser, multiplied by the Purchase Price, shall not exceed the Maximum of the Valuation Range.

(iv) *Offering Does Not Meet Minimum.* If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering, together with any subscriptions accepted in the Community Offering, is less than the Minimum of the Valuation Range and the Standby Offering fails to close for any reason, then in such event Vericity may (w) cancel the Offerings and terminate this Plan, (x) establish a new Valuation Range, (y) extend the Offerings

or open or hold a new offering, upon such terms and conditions as it may determine, or (z) take such other action as it deems reasonably necessary. If a new Valuation Range is established and the Offerings are extended, reopened or continued as part of a new offering, Persons who previously submitted subscriptions will be required to confirm, revise or cancel their original subscriptions. If original subscriptions are canceled, any related payment will be refunded (without interest).

4. GENERAL PROCEDURE FOR THE OFFERINGS.

(a) Approval of this Plan by Members Mutual's Board of Directors. This Plan has been approved by at least two-thirds (2/3) of the members of the Board of Directors of Members Mutual.

(b) Regulatory Approvals. Members Mutual shall promptly cause (i) the Application to be prepared and filed with the Illinois Director, and (ii) the Registration Statement, including the Prospectus, to be prepared and filed with the SEC. In addition, the Standby Purchaser shall promptly prepare and file the Form A with the Illinois Director.

(c) Distribution of Proxy and Prospectus to Eligible Members. Within 45 days of approval of the Application by the Illinois Director and following the declaration of effectiveness of the Registration Statement by the SEC, this Plan and the transactions contemplated by this Plan, including without limitation the adoption of the Converted Members Mutual Charter, will be submitted by Members Mutual to Eligible Members for their consideration and approval at the Special Meeting. Members Mutual shall mail to all Eligible Members at their last known address appearing on the records of Members Mutual, notice of the Special Meeting, a proxy statement, and a Prospectus describing this Plan and the Offerings contemplated hereby. This Plan and the adoption of the Converted Members Mutual Charter will be submitted to a vote of the Eligible Members at the Special Meeting. Members Mutual may also make available a Prospectus and Order Form to Eligible Employees and select investors in the Community Offering to subscribe for shares of Common Stock.

(d) Approval by Eligible Members. One hundred Eligible Members present in person or by proxy at the Special Meeting shall constitute a quorum. Each Eligible Member is entitled to cast one vote at the Special Meeting regardless of the number of Qualifying Policies owned by such Member. Approval by the Eligible Members of both of (i) this Plan and the transactions set forth herein, and (ii) the Converted Members Mutual Charter, will require the affirmative vote, cast in person or by proxy, of at least two-thirds (2/3) of the votes cast by Eligible Members at the Special Meeting.

(e) Acquisition of the Authorized Shares of Converted Members Mutual by Vericity. Immediately prior to the sale of the shares of Common Stock in the Offerings, Vericity shall acquire all of the authorized shares of Converted Members Mutual for a purchase price equal to the par value of such shares, and any shares of capital stock of Vericity previously owned by Members Mutual shall be canceled. The balance of the offering proceeds shall be retained by Vericity to support the respective businesses of Fidelity Life and Efinancial, as may be further described in the Prospectus, and for general corporate purposes.

5. SUBSCRIPTION OFFERING.

Subscription Rights to purchase shares of Common Stock at the Purchase Price will be distributed by the Company to the Participants in the following priorities:

(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, non-transferable Subscription Rights to purchase up to each such member's Individual Maximum Purchase Limit; provided, however, that no Eligible Member in the Subscription Offering may purchase more than five percent (5%) of the total shares of Common Stock sold in the Offerings (or such lesser maximum purchase limitation as may be established by the Company as set forth in the Registration Statement); provided further, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock pursuant to Section 5(a), available shares shall be allocated among subscribing Eligible Members so as to permit each such Eligible Member, to the extent possible, to purchase a number of shares that will make his or her total allocation equal to the lesser of (i) the number of shares subscribed for or (ii) allocated in respect of such Eligible Member's Fixed Component. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to (ii) the aggregate number of shares as to which all such Eligible Members' subscriptions remain unsatisfied; provided, however, that no fractional shares of Common Stock shall be issued.

(b) Directors and Officers of Members Mutual (Second Priority). Subject to the prior rights of Eligible Members to purchase shares of Common Stock in the Subscription Offering, each Management Participant shall receive, without payment, non-transferable Subscription Rights to purchase up to each such Management Participant's Individual Management Maximum Purchase Limit; provided, however, that (i) no Management Participant in the Subscription Offering (including any shares purchased in such person's capacity as an Eligible Member) may purchase more than five percent (5%) (or such lesser maximum purchase limitation as may be established by the Company as set forth in the Registration Statement) of the total shares of Common Stock sold in the Offerings, (ii) the total number of shares of Common Stock purchased by all of the Management Participants (in any capacity) may not exceed 27% (or such lesser maximum purchase limitation as may be established by the Company as set forth in the Registration Statement) of all of the total shares of Common Stock sold in the Offerings, and (iii) the maximum number of shares that may be purchased by Eligible Members and Management Participants in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price. A Management Participant who subscribes to purchase shares of Common Stock and who also is an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member.

In the event that there are insufficient shares remaining after the subscriptions of the Eligible Members to satisfy the subscriptions of the Management Participants in full, the available shares shall be allocated among subscribing Management Participants in the proportion in which the number of shares as to which each such Management Participant's subscription bears to the aggregate number of shares subscribed for by all Management Participants; provided, however, that no fractional shares of Common Stock shall be issued.

(c) Limitations on Subscription Rights. Subscription Rights granted under this Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the purchase price established hereunder. Subscription Rights under this Plan will be granted without payment, but subject to all the terms, conditions and limitations of this Plan. Any Person purchasing Common Stock hereunder will be deemed to represent and affirm to the Company that such Person is purchasing for his or her own account and not on behalf of any other Person. Each Eligible Member and each Management Participant shall be entitled to subscribe for up to a number of shares equal to such Participant's Individual Maximum Purchase Limit or Individual Management Maximum Purchase Limit, as applicable. Any subscription for shares in excess of such limit shall be disregarded, and any such subscription shall be deemed to be for a number of shares equal to such Participant's Individual Maximum Purchase Limit or Individual Management Maximum Purchase Limit, as applicable.

6. COMMUNITY OFFERING.

(a) Community Offering. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Maximum of the Valuation Range, it is anticipated that shares of Common Stock will be offered by Vericity in the Community Offering to Eligible Employees and to select investors.

(b) Preference in Community Offering. In the Community Offering, Vericity may accept, in its sole and absolute discretion, orders received in the following order of priority: (1) orders from Eligible Employees who subscribe for shares of Common Stock as part of the Employee Bonus Program, and (2) if the number of subscribers or the number of shares of Common Stock subscribed for by Participants in the Subscription Offering, together with any shares subscribed for by Eligible Employees, is not sufficient to qualify Vericity for listing on the Nasdaq Capital Market, Vericity may accept, in its sole discretion, subject to the terms of the Standby Stock Purchase Agreement, orders for shares of Common Stock from select investors in the Community Offering as may be necessary in order for Vericity to qualify for listing on the Nasdaq Capital Market.

(c) Delivery of Offering Materials. A Prospectus and an Order Form shall be furnished to Eligible Employees and to such other Persons as Vericity may select in connection with the Community Offering. Each order for Common Stock in the Community Offering shall be subject to the absolute right of Vericity to accept or reject any such order in whole or in part either at the time of receipt of an order or as soon as practicable following completion of the Community Offering. In the event that subscribers in the Community Offering subscribe for more shares than are necessary for Vericity to qualify for listing on the Nasdaq Capital Market, Vericity shall have the absolute right to determine which subscriptions to accept or reject, in whole or in part, and the allocation of shares of Common Stock among such subscribers, it being understood that Vericity intends to accept all orders from Eligible Employees received as part of the Employee Bonus Program so long as the number of shares of Common Stock subscribed for by Participants in the Subscription Offering and Eligible Employees in the Employee Bonus Program multiplied by the Purchase Price is less than the Maximum of the Valuation Range.

(d) Commencement of Community Offering. Vericity may commence the Community Offering concurrently with, at any time during, or as soon as practicable after the end of, the Subscription Offering, and the Community Offering must be completed within 30 days after the end of the Subscription Offering, unless extended by Vericity.

(e) Maximum Purchase Limit in the Community Offering. In addition to the other restrictions and limitations set forth herein, and excluding subscriptions by Eligible Employees, which are subject to the terms of the Employee Bonus Program, the maximum amount of Common Stock that any Person together with any Associate may, directly or indirectly, subscribe for or purchase in the Community Offering, shall not exceed 743,750 shares.

7. STANDBY PURCHASER.

Subject to the terms of the Standby Purchase Agreement:

(a) If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering, together with any subscriptions for shares accepted in the Community Offering, multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event the Standby Purchaser (i) shall purchase from Vericity at the Purchase Price in the Standby Offering such number of shares of Common Stock that, when added to the shares subscribed for in the Subscription Offering, together with any shares for which subscriptions are accepted in the Community Offering, and multiplied by the Purchase Price equals the Minimum of the Valuation Range, and (ii) may purchase from Vericity at the Purchase Price in the Standby Offering such additional number of shares such that the total number of shares purchased by the Standby Purchaser is equal to or less than 51% of the shares sold in the Offerings; provided, however, that the sum of the total number of shares of Common Stock sold in the Subscription Offering and the Community Offering plus the number of shares of Common Stock sold to the Standby Purchaser in the Standby Offering, multiplied by the Purchase Price, may not exceed the Maximum of the Valuation Range.

(b) If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then in such event the Standby Purchaser may purchase from Vericity at the Purchase Price in the Standby Offering up to such number of shares that when added to the shares subscribed for in the Subscription Offering, together with any shares for which subscriptions are accepted in the Community Offering, and multiplied by the Purchase Price, is equal to or less than the Maximum of the Valuation Range.

(c) If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Maximum of the Valuation Range, then in such event the Standby Purchaser may not purchase any shares from Vericity in the Standby Offering.

8. LIMITATIONS ON SUBSCRIPTIONS AND PURCHASES OF COMMON STOCK.

The following additional limitations and exceptions shall apply to all purchases of Common Stock in the Offerings:

(a) To the extent that shares are available, no Person may purchase fewer than the lesser of (i) 25 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of \$250.00 in the Subscription Offering.

(b) In addition to the other restrictions and limitations set forth herein, no Person together with any Associate or group of Persons acting in concert may subscribe for or purchase in the Subscription Offering or the Community Offering or otherwise acquire through public offering or subscription rights, more than five percent (5%) of the capital stock of Vericity for a period of five (5) years from the Effective Date, irrespective of the different capacities in which such Person may have subscribed for shares under this Plan, except (1) with the approval of the Illinois Director, and (2) the Standby Purchaser may purchase such number of shares of Common Stock as provided in Section 7. The limit set forth in this section shall not be construed to increase any other purchase limit provided herein.

(c) Management Participants shall not be deemed to be Associates or a group acting in concert solely as a result of their capacities as such for purposes of determining compliance with the limitations set forth in this section.

(d) Each Person who purchases Common Stock in the Subscription Offering or Community Offering shall be deemed to confirm that such purchase does not conflict with the purchase limitations under this Plan or otherwise imposed by law. The Company shall have the right to take any action as it may, in its sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions contained in this section and elsewhere in this Plan and the terms, conditions and representations contained in the Order Form, including, but not limited to, the absolute right of Vericity to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of Common Stock which it believes might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, limitations, restrictions and representations. Any such action shall be final, conclusive and binding on all Persons, and Vericity and the Company shall be free from any liability to any Person on account of any such action. To that end, if any Person violates the purchase limitations, the Company will have the right to purchase from that Person at the Purchase Price, all shares acquired by the Person in excess of the purchase limitation. If the Person has sold these excess shares, the Company is entitled to receive the difference between the aggregate Purchase Price paid by the Person for the excess shares and the proceeds received by the Person from the sale of the excess shares. This right of the Company to purchase excess shares is assignable.

9. TIMING OF THE OFFERINGS, MANNER OF PURCHASING COMMON STOCK AND ORDER FORMS.

(a) Timing of the Offerings. The exact timing of the commencement of the Offerings shall be determined by the Company in consultation with any financial or advisory or investment banking firm retained by it in connection with the Offerings. The Company may consider a number of factors in determining the exact timing of the commencement of the Offerings, including, but not limited to, its current and projected future earnings, local and national economic conditions and the prevailing market for stocks in general and stocks of insurance companies in particular. Subject to Section 19 below, the Company shall have the right to withdraw, terminate, suspend, delay, revoke or modify the Offerings at any time without liability to any Person.

(b) Purchaser Eligibility. Notwithstanding anything to the contrary set forth in this Plan, Vericity and the Company shall have the right in their absolute discretion and without liability to any subscriber, purchaser, underwriter or any other Person to (1) determine which proposed Persons and which subscriptions and orders in the Subscription Offering meet the criteria provided in this Plan for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person, and (2) reject any Order Form, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received as provided in the Prospectus, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations Vericity or the Company believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. Vericity and the Company may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as they may specify. The interpretation of Vericity and the Company of the terms and conditions of the Order Forms shall be final and conclusive. Once Vericity receives an Order Form, the order shall be deemed placed and will be irrevocable; provided, however, that in addition to the conditions set forth above, no Order Form shall be considered for acceptance until the Registration Statement has been declared effective by the SEC, and any Order Form received prior to that time shall be rejected and no sale of Common Stock shall be made in respect thereof. In addition, Vericity shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Community Offering, irrespective of a Person's eligibility under this Plan to participate in the Community Offering.

(c) Reasonable Efforts. Vericity shall make reasonable efforts to comply with the securities laws of all jurisdictions in the United States in which Persons entitled to subscribe reside. However, Vericity has no obligation to offer or sell shares to any Person under this Plan if such Person resides in a foreign country or in a jurisdiction of the United States with respect to which (i) there are few Persons otherwise eligible to subscribe for shares under this Plan who reside in such jurisdiction, (ii) the granting of Subscription Rights or the offer or sale of shares of Common Stock to such Persons would require Vericity or its directors, officers or employees, under the laws of such jurisdiction, to register as a broker or dealer, salesman or selling agent or to register or otherwise qualify the Common Stock for sale in such jurisdiction, or Vericity would be required to qualify as a foreign corporation or file a consent to service of process in such jurisdiction, or (iii) such registration or qualification in the judgment of Vericity would be impracticable or unduly burdensome for reasons of cost or otherwise.

10. PAYMENT FOR COMMON STOCK.

(a) Payment for shares of Common Stock ordered by Persons in the Offerings shall be equal to the Purchase Price per share multiplied by the number of shares which are being ordered. Such payment shall be made by check or money order or other means acceptable to Vericity at the time the Order Form is delivered to Vericity. Subscription funds submitted to purchase shares of Common Stock will be held in an escrow account administered by a financial institution until such time as the conditions to consummation of the Offerings are satisfied.

(b) Each share of Common Stock issued in the Offerings shall be validly issued and non-assessable upon payment in full of the Purchase Price.

11. CONDITIONS TO THE OFFERINGS.

Consummation of the Offerings is subject to (i) the receipt of all required federal and state approvals for the issuance of Common Stock in the Offerings, (ii) approval by the Illinois Director of (A) this Plan and the transactions contemplated hereby in accordance with Section 59.1(3)(a) of the Illinois Insurance Code and, as applicable, the 2007 Order, and (B) the acquisition of the shares of Common Stock by the Standby Purchaser under the Standby Purchase Agreement as requested in the Form A, (iii) approval of this Plan and the transactions contemplated hereby by the Eligible Members in accordance with Section 59.1(4)(c)(i) of the Illinois Insurance Code, (iv) adoption of the Converted Members Mutual Charter as provided in Section 59.1(5) of the Illinois Insurance Code, (v) release of the Collateral as provided in Section 12(c) of this Plan and (vi) receipt of subscriptions in the Offerings for a number of shares of Common Stock that when multiplied by the Purchase Price is at least equal to the Minimum of the Valuation Range.

12. SPECIAL MEETING OF MEMBERS.

Following the approval of this Plan by the Illinois Director, a special meeting of the Eligible Members will be held by Members Mutual in accordance with the bylaws of Members Mutual and applicable Illinois law (the "Special Meeting"). Within forty-five (45) days of the approval of this Plan by the Illinois Director, notice of the Special Meeting will be given by Members Mutual to Eligible Members by mailing (i) a notice of the Special Meeting, (ii) a proxy statement, (iii) a copy of the Prospectus, (iv) a form of proxy by which members may vote in favor of or against this Plan and the adoption of the Converted Members Mutual Charter, and (v) a copy of the proposed Converted Members Mutual Charter and a copy or summary of this Plan, each as approved by the Illinois Director, to the address of each Eligible Member as such address appears on the records of Members Mutual. The Special Meeting of members shall be held not less than thirty (30) days after the mailing of the notice.

Pursuant to Sections 59.1(4)(c)(i) and 57(2)(a) of the Illinois Insurance Code, this Plan and the Converted Members Mutual Charter, respectively, must be approved by the affirmative vote of at least two-thirds (2/3) of the votes cast at the Special Meeting. Voting may be in person or by proxy. Each Eligible Member is entitled to cast one vote at the Special Meeting regardless of the number of Qualifying Policies owned by such Member.

13. CONSUMMATION OF THE CONVERSION.

(a) Completion of the Conversion. On or prior to the Effective Date, Members Mutual shall file an amended and restated certificate of incorporation of Vericity with the Delaware Secretary of State, substantially in the form attached as an exhibit to the Registration Statement. Following the approval of this Plan and the Converted Members Mutual Charter by the Eligible Members, Members Mutual shall file with the Illinois Director (A) the minutes of the meeting at which this Plan is adopted by the Eligible Members and (B) the Converted Members Mutual Charter and the bylaws of Converted Members Mutual. On the Effective Date or as promptly as possible thereafter, the Conversion shall be completed in the following manner: (x) the Collateral shall be released by the Trustee in accordance with Section 13(c) of this Plan and Section 7 of the Trust Agreement; (y) Vericity shall acquire all of the authorized shares of Converted Members Mutual for a purchase price equal to the par value of such shares, and any shares of capital stock of Vericity previously owned by Members Mutual shall be canceled, and (z) the shares of Common Stock subscribed for in the Offerings shall be issued and sold by Vericity. Immediately following the completion of the Conversion, Vericity shall be the ultimate parent holding company for Converted Members Mutual and all of its directly and indirectly owned subsidiaries; provided, however, that prior to the completion of the Conversion, in accordance with Section 59.1(6)(c)(i)(A) of the Illinois Insurance Code, Vericity shall be owned by Members Mutual.

(b) Effect of the Conversion. Upon the completion of the Conversion, without further action by Members Mutual, Members Mutual shall be converted into Converted Members Mutual pursuant to Section 59.1 of the Illinois Insurance Code. In accordance with the provisions of Section 59.1(11) of the Illinois Insurance Code, upon the completion of the Conversion: (i) the corporate existence of Members Mutual shall be continued in Converted Members Mutual, (ii) all of the rights, franchises and interests of Members Mutual in and to every type of property, real, personal, and mixed, and things in action thereunto belonging, shall be deemed transferred to and vested in Converted Members Mutual without any deed or transfer; and (iii) simultaneously, Converted Members Mutual shall be deemed to have assumed all the obligations and liabilities of Members Mutual. The directors and officers of Members Mutual shall serve as directors and officers of Converted Members Mutual until their successors are duly elected pursuant to the Converted Members Mutual Charter and the bylaws of Converted Members Mutual.

(c) Termination of Trust Agreement. In connection with the consummation of the Fidelity Life MHC Conversion Plan and in accordance with Section 59.2 of the Illinois Insurance Code, Members Mutual delivered all of its shares of capital stock of Vericity Holdings (the "Collateral") in trust to the Trustee under the Trust Agreement. On the Effective Date, the Trustee shall release the Collateral upon satisfaction of the conditions set forth in Section 7 of the Trust Agreement, the Trust Agreement shall terminate and be of no further force and effect, and the Trustee shall notify Converted Members Mutual, as successor to Members Mutual, and the Illinois Director that the release of the Collateral is effective.

14. REQUIREMENT FOLLOWING OFFERING FOR REGISTRATION, MARKET MAKING AND STOCK EXCHANGE LISTING.

Vericity shall register the Common Stock to be offered and sold in the Subscription Offering and the Community Offering pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Vericity shall use its reasonable best efforts to (i) encourage and assist one or more market makers to establish and maintain a market for the Common Stock and (ii) list the Common Stock on a national or regional securities exchange.

15. RESTRICTIONS ON TRANSFER OF COMMON STOCK.

All shares of the Common Stock that are purchased in the Subscription Offering and the Community Offering shall be transferable without restriction, except (i) to the extent that such transfer is restricted by law, including state and federal securities laws and regulations thereunder, and (ii) all shares of Common Stock purchased in the Subscription Offering by the Management Participants may not be transferred for one year following the Effective Date. The shares of Common Stock sold to the Standby Purchaser shall be subject to restrictions on transfer set forth in the Standby Purchase Agreement and as otherwise provided by state and federal securities laws.

16. EMPLOYEE BONUS PROGRAM.

In connection with the Conversion, the Company plans to adopt a bonus program for its Eligible Employees that will provide Eligible Employees the opportunity to receive a bonus payable in cash or 100 shares of Common Stock of Vericity (the “Employee Bonus Program”). The Employee Bonus Program will be conducted as part of the Community Offering, concurrently with the Subscription Offering, and is subject to completion of the Conversion. Under the Employee Bonus Program, all Eligible Employees will be awarded a bonus in recognition of their efforts on behalf of the Company to position it to become a publicly-traded stock company. The bonus will be payable, at the election of each Eligible Employee, in 100 shares of Common Stock (valued at \$10.00 per share) or, in lieu of stock, in cash in the amount of \$1,000, in either case together with an additional \$250 cash to help defray taxes payable with respect to the bonus. The Employee Bonus Program will be designed to allow each Eligible Employee the opportunity to elect to receive the bonus amount in cash or instead to acquire 100 shares of Common Stock. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering, together with shares of Common Stock subscribed for by Eligible Employees under the Employee Bonus Program, multiplied by the Purchase Price exceeds the Maximum of the Valuation Range, no shares of Common Stock will be issued to Eligible Employees under the Employee Bonus Program and the bonus will be paid in cash, subject to completion of the Conversion.

17. CLOSED BLOCK.

In connection with the consummation of the Fidelity Life MHC Conversion Plan, Fidelity Life established a closed block of business for participating life policies in accordance with the Closed Block Memorandum attached as Exhibit B to the Fidelity Life MHC Conversion Plan, under which Fidelity Life’s participating life policies in force on the effective date of the Fidelity

Life MHC Conversion Plan or issued thereafter are operated by Fidelity Life as a closed block of participating business (the "Closed Block"). The consummation of this Plan and the transactions contemplated hereby shall not affect the operation of the Closed Block, and the Closed Block shall continue to be operated by Fidelity Life in accordance with the Fidelity Life MHC Conversion Plan.

18. EFFECT OF CONVERSION ON POLICIES AND MEMBERSHIP INTERESTS.

Following the Effective Date, each policy of insurance issued by Fidelity Life and in force as of the close of business on the Effective Date shall continue to remain in force under the terms and conditions of that policy, except that any voting and other membership rights of any Member of Members Mutual shall be extinguished on the Effective Date.

19. AMENDMENT OR TERMINATION.

Prior to the approval of this Plan by the Illinois Director, and subject to any applicable provisions of the Standby Purchase Agreement, Members Mutual by the affirmative vote of two-thirds of its Board of Directors may amend or withdraw this Plan at any time and may revise the form of the exhibits to this Plan. Each of the exhibits to this Plan is hereby incorporated by reference into this Plan and made a part hereof. The approval by the Illinois Director of this Plan shall be deemed to include the approval by the Illinois Director of all of the transactions described herein, as the same may be required by the 2007 Order or the Illinois Insurance Code or otherwise.

20. INTERPRETATION.

References herein to provisions of federal and state law shall in all cases be deemed to refer to the provisions of the same which were in effect at the time of adoption of this Plan by the Board of Directors of Members Mutual and any subsequent amendments to such provisions. All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Board of Directors of Members Mutual shall be final.

FORM OF
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
MEMBERS HOLDING COMPANY

(Formerly known as MEMBERS MUTUAL HOLDING COMPANY)

WHEREAS, Members Mutual Holding Company (the “Corporation”), intends to convert from mutual to stock form pursuant to a plan of conversion adopted by the Corporation’s Board of Directors on July 31, 2018, in accordance with Section 59.1 of the Illinois Insurance Code, 215 ILCS 5/1 et seq. (the “Illinois Insurance Code”); and

WHEREAS, in accordance with Section 59.1(11)(a) of the Illinois Insurance Code, the corporate existence of Members Mutual Holding Company shall be continued in the Corporation, which shall be named “Members Holding Company” upon conversion as provided in these Amended and Restated Article of Incorporation.

ARTICLE ONE

The name of the Corporation shall be: MEMBERS HOLDING COMPANY

ARTICLE TWO

The principal office of the Corporation shall be located in Cook County, Illinois.

ARTICLE THREE

The duration of the Corporation shall be perpetual.

ARTICLE FOUR

The Corporation may engage in any lawful business now or hereafter authorized under Article II of the Illinois Insurance Code, and any other provisions of the Illinois Insurance Code that are not inconsistent therewith, except that the Corporation shall not have the authority to transact insurance pursuant to Section 9(1) of the Illinois Insurance Code or any successor provision, and may not issue or reinsure policies of insurance.

ARTICLE FIVE

- (a) The Corporation shall have one class of capital stock. The total number of shares of capital stock that the Corporation shall have the authority to issue is 1,000 shares of common stock, par value \$1.00 per share ("Common Stock") of which 1,000 shares shall be issued on the effective date of the Plan of Conversion.
- (b) Except as may be otherwise required by law or these Amended and Restated Articles of Incorporation, each holder of the Common Stock shall have one vote in respect of each share of Common Stock held by such holder of record on the books of the Corporation on all matters voted upon by the shareholders.
- (c) To the extent permitted by law, the holders of the Common Stock shall be entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors.
- (d) In the event of the dissolution, liquidation or winding up of the Corporation, the holders of the Common Stock shall be entitled to receive any remaining assets of the Corporation of whatever kind available for distribution to shareholders, ratably in proportion to the number of shares of Common Stock held by them respectively.

ARTICLE SIX

The governing body of the Corporation shall be a board of directors composed of not less than three (3) nor more than nine (9) members. Subject to change by action of the shareholders or resolution of the board of directors, the number of directors of the Corporation shall be six (6). The regular term of a director shall be one year.

The procedure for nomination and election of directors shall be stated in the Bylaws of the Corporation.

In electing a director at a meeting of the shareholders, each holder of Common Stock shall have the right to cast his vote for as many persons as there are directors to be elected, but the votes shall be non-cumulative.

ARTICLE SEVEN

The Corporation shall indemnify and hold harmless any officer or director of the Corporation to the fullest extent permitted under Section 10(7) of the Illinois Insurance Code, as the same may be amended from time to time. Any repeal or modification of this Article 7 or of

Section 10(7) of the Illinois Insurance Code shall not adversely affect any right of indemnification of any officer or director of the Corporation existing at any time prior to such repeal or modification. Notwithstanding the foregoing, the Corporation shall not be required to indemnify a person in connection with a proceeding initiated by such person, unless the proceeding was authorized by the Board of Directors.

ARTICLE EIGHT

These Articles of Incorporation may be modified, altered or amended at any special meeting or regular meeting of the holders of the Common Stock in accordance with the laws of the State of Illinois.

ARTICLE NINE

Such other power and authority, not inconsistent with law, shall be exercised and conducted as provided in the Bylaws.

* * *

IN WITNESS WHEREOF, we have hereunto subscribed our names at Chicago, Illinois, this ____ day of _____, 201____, to be effective _____, 201____.

MEMBERS HOLDING COMPANY

James E. Hohmann, President

John Buchanan, Secretary

(SEAL)

APPROVED this ____ day of _____.
To be effective _____

Jennifer Hammer, Director of Insurance

Exhibit B to the Plan of Conversion

**Actuarial Contribution
Principles and Methodologies**

B-1

Overview

This Actuarial Contribution Principles and Methodologies Exhibit describes the principles and methods by which the Actuarial Contribution (“AC”) of Eligible Policies of Fidelity Life Association (the “Company”) will be calculated. The Actuarial Contributions of Qualifying Policies are used to allocate the aggregate Variable Component among Qualifying Policies, as required by Section 2.26 of the Second Amended and Restated Plan of Conversion (the “Plan”). Exhibit C to the Plan contains the Actuarial Contribution Memorandum, which describes the assumptions and methodologies for calculating the Actuarial Contributions.

Capitalized terms not defined herein have the same meanings given in the Plan unless otherwise specified herein.

Principles

First priority subscription rights are granted to Eligible Members to purchase all of the shares offered in the Subscription Offering. The number of subscription rights that will be allocated to each Eligible Member will be equal to the sum of (a) a Fixed Component of 100 shares, regardless of the number or size of Qualifying Policies owned by such Eligible Member in the same capacity, plus (b) an allocation of aggregate Variable Component shares among all Qualifying Policies owned by the Eligible Member on the Adoption Date (though such variable component may equal zero shares with respect to an individual Qualifying Policy if its Actuarial Contribution is zero or negative). The aggregate Fixed Component represents approximately 20%, and the aggregate Variable Component represents approximately 80%, of the aggregate consideration available to Eligible Members. The allocation share of the aggregate Variable Component to any one Qualifying Policy is the ratio of the nonnegative Actuarial Contribution for the Qualifying Policy to the total of all nonnegative Actuarial Contributions for all Qualifying Policies in the Company. The number of subscription rights allocated to each Eligible Member is referred to in the Plan as the Individual Maximum Purchase Limit, provided that no Eligible Member may purchase more than 5% of the shares sold in the Subscription Offering.

The objective of the AC calculation is to estimate the contributions to the Company's statutory surplus and asset valuation reserve (the sum of which is referred to as "surplus") made or expected to be made by each Qualifying Policy. Averaging over many units of coverage of similar product types, the AC represents the average accumulated contributions the policies in a class made in the past to the Company's surplus ("past contribution") plus the present value of the contribution those same policies are expected to make in the future ("future contribution"), with values as of September 30, 2017, which is defined as the "AC Date." Qualifying Policies issued after the AC Date but before the Adoption Date are assigned the same AC per unit as calculated for the class they belong to.

Basic Methodology Used in Development of Actuarial Contributions

For the purposes of developing Actuarial Contributions, the Company classifies each Qualifying Policy into one of the following product lines (each, a "Product Line"): (i) individual life insurance in the Closed Block, (ii) individual life insurance outside of the Closed Block (including certain mortgage term life insurance issued to a group trust), (iii) universal life insurance and conversion whole life insurance outside of the Closed Block, (iv) accidental death benefit insurance outside of the Closed Block, (v) group life insurance outside of the Closed Block, and (vi) individual annuities. Policies assumed by way of reinsurance on an indemnity basis are not Qualifying Policies. Policies outside of the Closed Block are referred to as the "Open Block".

Within each Product Line, Qualifying Policies are further divided into classes of Qualifying Policies that are reasonably similar with regard to their product structure, experience, risk characteristics, and issue year era, given materiality considerations.

Premiums, investment income, cost of benefits, expenses, commissions, payroll and federal income taxes, and dividends (if any) are reflected in both the past and future AC calculations. However, while the future contribution calculations incorporate persistency assumptions, the past contribution calculations attempt to avoid reflecting any gain or loss on surrender or lapse on other policies, even if in the same class, which are no longer in force.

The information required for the calculations comes from a variety of proprietary files and reports including policy records maintained in electronic media, internal analyses and memoranda and also from public documents such as annual statements.

Policy level data and aggregate data are used where available and credible. To the extent that data are not available or are not credible for certain periods of time, reasonable approximations are made to fill in either the missing data or the results of certain interim calculations using such data.

In particular, input to historical calculations is based on a combination of published and internal financial reports, and estimates derived from more recent experience applied to prior years.

The future contribution calculations are based on assumptions set for various classes of Qualifying Policies for the experience factors listed above and other actuarial factors. For the business in the Closed Block with a current dividend scale, the prospective dividend scale is developed in proportion to the current dividend scale to be broadly consistent with the future experience assumptions used in the AC calculations for the business in the Closed Block and plausible dividend actions.

Assumptions are derived in such a way that they are reasonably consistent across Product Lines, as well as for classes of Qualifying Policies within a Product Line. Consistency of assumptions is an objective since the sole use of the AC calculations is to allocate variable rights to a given policy *relative to* all other policies.

The business in the Open Block involves policies issued within the most recent dozen years, and appropriate aggregate information exists and shall be used to determine historical contributions to surplus by these groups of Qualifying Policies. The resulting historical calculations for the business in the Open Block involve steps where financial results by product forms are examined by year to estimate financial effects of the policies no longer in force and therefore to be removed from the aggregate information. The results are then combined for all products in the same class in the Product Line. The Closed Block involves policies issued over many more years, between approximately 1936 and 2006, so the historical calculation shall utilize steps first examining the accumulation of surplus in terms of representations of specific major insurance plans issued in a specific year for a given issue age and other individual characteristics (each representation is a “cell” in a larger representation of the product line). Internally consistent premium rates, mortality rates, commission rates, dividend rates, reserve factors, etc. are identified and used for each such cell. The results are combined for cells in the major product groupings in the Closed Block. These historical results, whether built from product form-and-year cells representing the business in the Open Block or built from more detailed cells representing the Closed Block, are then combined with the future contributions to determine whether an AC is positive or is negative and shall be set to zero.

Fidelity Life Association

Exhibit C to the Plan of Conversion

ACTUARIAL CONTRIBUTION MEMORANDUM

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A. OVERVIEW

This memorandum describes the assumptions and methodology for calculating the Actuarial Contribution (“AC”) of Eligible Policies of Fidelity Life Association, A Legal Reserve Life Insurance Company (“the Company”) pursuant to Section 2.26 of the Second Amended and Restated Members Mutual Holding Company Plan of Conversion From Mutual Holding Company to Stock Form (the “Plan”) and in accordance with Exhibit B to the Plan (the Actuarial Contribution Principles and Methodologies exhibit). This memorandum should be read in conjunction with Section 2.23 and Exhibit B of the Plan, and shall be attached as Exhibit C of the Plan (this “Exhibit”).

This memorandum contains separate sections for each major line of business. The general methodology and experience data that apply to more than one line of business are described in section B of this memorandum. Aspects specific to a particular line of business are included in the sections specific to that line.

Each line of business section contains descriptions of the following:

1. the products covered by the line;
2. the methodology used to calculate ACs for policies in that line;
3. the assumptions for the historical experience; and
4. the assumptions for the prospective experience.

Capitalized terms used in this Exhibit have the meanings ascribed to them in the Plan, Exhibit B, or in this Exhibit. The terms “assumption” and “experience factor” are used interchangeably in this Exhibit.

B. GENERAL METHODOLOGY AND ASSUMPTIONS

1. General Description of Methodology

The “Actuarial Contribution” is the estimated past contribution of an Eligible Policy to the Company’s statutory surplus and asset valuation reserve, plus the contribution that such policy is expected to make in the future, as calculated according to the principles, assumptions and methodologies set forth in the Plan, the Actuarial Contribution Principles and Methodologies Exhibit (“Exhibit B”), and this Actuarial Contribution Memorandum (“Exhibit C”).

Lines of business are described in part by reference to the Closed Block and the Open Block. “Closed Block” is defined in section 15 of the Plan, and “Open Block” is defined in Exhibit B. Policies outside of the Closed Block are referred to as the “Open Block”.

The principles and general methodology used to calculate ACs are described in Exhibit B and in Section 2.23 of the Plan. This Actuarial Contribution Memorandum describes the methodologies in more detail and discusses the assumptions used in the Actuarial Contribution calculations.

2. Assumptions that Cross Lines of Business

The following assumptions apply to more than one line of business. Aspects specific to a particular line of business are included in the section specific to that line. In general, the historical experience factors for taxes, investment returns (investment income and capital gains or losses), and expenses were developed based on the results as allocated in statutory annual statements and internal analyses. The data sources included annual statement data and certain other sources developed for internal reporting.

The prospective expense and investment income assumptions reflected recent experience. The prospective tax assumptions were based on the current 21% corporate tax rate applied to projected statutory income, refined as described below.

a. Investment Returns

The interest rates used in the historical AC calculations were derived from the assets and investment income backing the Closed Block or Open Block (adjusted for certain capital gains). The rates were developed consistent with the Company’s management practices with regard to investment income allocation during the historical period, and are net of defaults and investment expense.

The historical AC calculations use realized capital gains and losses, adjusted to reflect capital gains taxes, as they run through the Interest Maintenance Reserve (IMR) in statutory reporting. That is, IMR gains and losses were spread consistent with the IMR treatment of capitalization and amortization.

B. General Methodology and Assumptions

The rates used to accumulate the historical ACs to the Actuarial Contribution Date (“AC Date”) were set equal to the after-tax historical investment income rates, including the effect of IMR capital gains as explained above.

For business in the Closed Block, the assumed investment income rate (4.99%) for prospective ACs was consistent with rates earned on the assets in the Closed Block in recent years, as well as consistent with the current dividend scale, whose continuation is assumed in the AC calculation. For business in the Open Block, which business is non-participating and does not have interest-sensitive cash flows, the assumed pre-tax investment income rate for prospective ACs was 4.0%, consistent with the Company’s Loss Recognition Testing. The assumed investment income rates are net of investment expenses and defaults.

The rates used to discount the prospective ACs to the AC Date were set equal to the after-tax version of the investment income rates used in the prospective AC calculations, that is, 79% of the pre-tax rate.

b. Expenses

Expense assumptions used in calculating prospective ACs were based on recent experience, as analyzed for cash flow testing, inflated 2% annually after 2017. Future premium tax is assumed to be 2.16% of premium for the Closed Block, which matched that set out in the Closed Block Memorandum, and 2.50% in the Open Block.

c. Federal Income Tax

The applicable US tax law for life insurance companies is complex and has changed over time. The derivation of tax factors followed the major dynamics of the law over broad time periods. Because tax law creates temporary timing differences from statutory income, the AC tax calculation used averages over time. Inputs were tied to taxes reported in the annual statement historically, and reflect averages over time, allocated in proportion to statutory income.

For 1981 and prior years, Federal income taxes were reflected as 48% of investment income on surplus plus an effective tax rate on reserves to reproduce total company tax, year by year.

After 1981, the tax was calculated as a percentage of statutory income over blocks of years: 33% for 1982-2005 and 34% for 2006-2017.

For the prospective AC calculations, the 21% tax rate was applied to an estimate of taxable income based on statutory income after dividends, adjusted as follows. Starting January 1, 2018, the taxable income is approximated as statutory income, but adjusted for Open Block term insurance to deduct 92.81%, rather than 100%, of the change in statutory reserves.

B. General Methodology and Assumptions

d. Reinsurance

The Company has entered into various reinsurance agreements with reinsurers. The treatment of these reinsurance agreements in the AC calculations followed the principal attributes of the reinsurance, as described below.

The Company has ceded amounts of mortality and morbidity risks on both YRT and coinsurance bases in on both first dollar quota share and excess over retention limit bases to a number of nonaffiliated reinsurers. These reinsurance programs were designed to cover a wide range of policies. The AC calculation spread the net cost of (or gain from) this reinsurance within the line of business, except that certain surplus relief reinsurance transactions were for corporate purposes and were not reflected in the AC calculations. Applicable reinsurance treaties were modeled and reflected in the AC calculations.

e. Treatment of Certain Group Policies and Contracts

As a general rule, the contribution to surplus was determined for group policies at the group policy level and not for the individual certificate holders in the group except as a way to get the group contribution. However, in the situation of the Mortgage Term product of the Open Block, in certain states, the owner of a group policy was a trust entity created to facilitate administration of policies that were marketed and managed as though they were individually owned. In this case, the certificates were treated as individual policies for purposes of determining ACs. That is, the calculation “looked through” to the certificate holders in this case.

f. Continuity

As a general rule, contributions to surplus were determined only for policies that were in force as of the Adoption Date, based on records of such policies, not any predecessor policies.

g. Number of Prospective Years Recognized in the AC Calculation

The prospective AC calculation generally ran through the end of the mortality table or maturity or expiry of the modeled policy, subject to the assumption that level premium term policies will lapse at the end of their level premium periods.

B. General Methodology and Assumptions

C. LIFE INSURANCE—POLICIES IN THE CLOSED BLOCK

1. Block A and Block B Participating Policies—Traditional Life

a. Description of Business

The traditional life insurance business in the Closed Block consists of permanent and term plans, some of which pay dividends, issued from 1939 to the formation of the Closed Block upon MHC conversion in 2006. The permanent plans include a variety of whole life, limited pay and endowment plans, and policyholder dividend options include, among others, the purchase of paid up additional insurance (“PUA”). The participating term plans are primarily renewable level term and decreasing term plans. Other business includes policies resulting from the election of reduced paid up (“RPU”) and extended term insurance (“ETI”) nonforfeiture options. Dividends are paid on most permanent policies, but no dividends are paid on the PUAs.

One term plan (“Par Term”) is a dividend paying term plan consisting of a base plan of decreasing life insurance supplemented by one year term additions (“OYT”) purchased by dividends to maintain a non-guaranteed level death benefit. Another plan (“Double Duty Dollar”) is a term to 65 plan with a return of premium at age 65, which pays dividends. All of the dividend paying plans are categorized as Block A in the Closed Block.

Dividends are not currently paid on other term plans. The Closed Block plans on which there is no current dividend scale are categorized as Block B. Also categorized as Block B is a universal life product that had been only available for conversions from term plans in Block B.

As of the Adoption Date, no annuities remain in force from the era of the Closed Block.

b. Methodology

A model cell approach was used to calculate ACs for the life insurance business in the Closed Block. Actuarial contributions were determined for model cells, which consisted of combinations of model plan, issue year, and issue age. ACs do not vary by gender nor underwriting status. Model plans included the effect of dividend additions and dividends left on deposit.

For each model cell, contributions to surplus were developed for each year using statutory gain from operations. Annual historical contributions were accumulated with interest after tax to the AC Date, and annual prospective contributions were discounted with interest after tax to the AC Date. Total actuarial contributions for various model cells in an appropriate class were then combined and converted to AC factors expressed as a function of units of face amount (including paid up additions and Kempetitor Additional Term Rider). If the AC was negative, it was set to zero.

C. Life Insurance—Policies in the Closed Block

Each policy was assigned to a class based on plan and broad issue era, and the ACs for the policy were determined by multiplying the appropriate AC factor by the units of face (including paid up additions and Kempetitor Additional Term Rider). The ACs on the base policies include contributions to surplus from any dividend additions or dividend accumulations associated with the model plan.

c. Experience Factors—Historical and Prospective

Mortality

At the time the Closed Block was established and funded in 2006, the Company had determined mortality expectations from its studies. The AC calculation assumed these mortality expectations applied in 2006, and that mortality experience graded linearly from that level, improving by 26% by 2017, which is approximately equal to the mortality assumption for the future in cash flow testing and used in the prospective AC calculations. No future mortality improvement is assumed.

The AC calculation assumed the mortality expectations in 2006 were the end point of improvements from 1983 to 2006 that were parallel to published life insurance industry mortality experience. The AC calculation assumed mortality experience improved from 1950 to 1977 in parallel to published general US population mortality experience, with the 1977/1978 year's annual improvement repeated through 1982/1983, and with the 1950/1951 year's annual improvement occurring in 1939/1940 through 1949/1950.

Commissions

The AC calculation used historical average commission scales (reflecting the commissions paid in the Company's various sales distribution channels) that had been developed for each model cell in the Closed Block studies in 2006.

Expenses and Taxes (Other Than Federal Income Tax)

The unit expense assumptions used in the AC calculations appear in three forms: (a) investment expenses were netted against investment income, (b) premium tax is assumed to be 2.16% of premium, and (c) administrative expenses, including associated payroll taxes, are expressed as dollars per policy varying by calendar year.

The administrative expenses and taxes in category (c) for the ordinary life line of business before the MHC conversion reproduce the annual statement expenses (after accounting for a 2.16% premium tax), and are allocated between acquisition and maintenance expenses based on an assumed expense relationship of \$8 per policy acquisition to \$1 per policy maintenance, given the counts for each in the annual statements over the years.

C. Life Insurance—Policies in the Closed Block

After the MHC conversion, the administrative expenses and taxes in category (c) relate to the expenses recorded for the Closed Block in internal financials. The AC calculation assumed such expenses inflate 2% annually in the future.

Dividends

Dividends for model cells were based on the actual dividend scales paid historically, which have not changed for many years. To be consistent with an estimate of the long term dividend scale that would be supported by the Closed Block funds and experience if lapse rates at the end of multi-year level premium terms were 100%, the AC calculation assumed that the future dividend scale paid starting in 2018 would be 100% of the actual 2018 dividend scale for all products, including Par Term.

d. Lapse Experience Factors—Prospective

Lapse experience factors for the prospective AC calculations for policies in the Closed Block were consistent with those used in cash flow testing. However, because of a large increase in premium at the end of the level premium period on most term policies with level premiums for a period of years, 100% of the policies are assumed to lapse at the end of the level premium period.

C. Life Insurance—Policies in the Closed Block

D. LIFE INSURANCE—POLICIES IN THE OPEN BLOCK

1. *Individual Life Insurance—Traditional and Group Mortgage Term*

a. Description of Business

This block consists of recently issued life insurance, predominantly term insurance. In some plans early death benefits are graded or paid only on accidental death. One product, Group Mortgage Term, issued in a few states with a return of premium benefit, was issued in a trust arrangement, but the AC calculation looks through to the individual certificates, not to the “group” represented by the trust. Individual life insurance in the block is predominantly term insurance, and the few hundred universal life policies are treated as a separate class (discussed below) because the permanent product design and administrative system requirements are quite different from term products.

b. Methodology

A cell approach to use available accounting records was used for historical AC calculations on this business. The records recorded the components of gain and loss by product and experience year, including the effects of reinsurance. The historical AC calculation fully allocated any expenses heretofore not allocated to the individual product level. The overhead not heretofore allocated was allocated per policy: five times as large on life insurance as on Accidental Death Benefit (“ADB”). Net losses in a year on a product were treated as the acquisition expense of new sales during that year, and the historical AC on policies still in force includes only a part of such loss in the proportion of current policies in force to all policies then in force. The historical gains and losses on a statutory basis are tax effected for a 34% tax rate and accumulated with after-tax investment return earned in the Open Block.

The future AC calculations on this business start with seriatim projections of individual policies in force on the AC Date, with assumptions described below. The future profits are discounted to the present AC Date at a discount rate that is 79% of 4%.

Four classes of Open Block individual life business are recognized for AC factors: Class 1 consists of Express Term, Class 2 consists of Final Expense (either level or graded death benefit), Class 3 consists of Graded Death Benefit (other than final expense), and Class 4 consists of all others (including RD Life, Rapid Decision Term, Hybrid Pilot, Mortgage Term, Loyalty Value Term and Life Story Term). Past and future AC values are combined at the class level, and any negative values at the class level are set to zero. The sum total of AC values for all individual life products in a given class is divided by the sum total number of base face amount units on life products in such given class to derive the average AC per base face unit of life insurance in the given class within the Open Block. (The AC values for UL, Conversion Whole Life, ADB and Group Life products are handled as described in the separate sections following this one.)

D. Life Insurance—Policies in the Open Block

The ACs on individual life policies are calculated as the average AC factor per base face amount unit on Open Block life policies of the given class times the base face amount unit on the life policy in such class. (The base face amount unit for several products includes accidental death benefit amounts inherent in the basic product sales concept, and consistent with this concept, the base face amount unit for the Hybrid Pilot includes any accidental death benefit rider amounts .)

c. Experience Factors—Prospective

Except as noted in Section B.2 regarding assumptions that cross lines of business, the prospective assumptions were generally those used in cash flow testing, and were based on Company experience supplemented by industry experience. 100% of the term policies are assumed to lapse at the end of their level premium periods.

2. Individual Life Insurance—Universal and Conversion Whole Life

a. Description of Business

This block consists of a few hundred universal life insurance policies and even fewer Conversion Whole Life policies, a product that has been only available for conversions from term plans.

b. Methodology

Available accounting records were used for historical AC calculations on this business. They recorded the components of gain and loss by product and experience year, including the effects of reinsurance. The historical results on Universal Life have been losses with no sign of turning profitable, so no future projection was necessary to recognize that the AC is negative. The block of Conversion Whole Life business is even smaller, so expenses are an even greater burden per policy, in comparison to Universal Life, and again the AC is negative. The negative AC values for the universal life product line and the Conversion Whole Life product line are set to zero.

D. Life Insurance—Policies in the Open Block

3. Accidental Death Benefit

a. Description of Business

This block consists of recently issued stand-alone ADB insurance, essentially a single product.

b. Methodology

A cell approach to use available accounting records was used for historical AC calculations on the ADB business. The records recorded the components of gain and loss by experience year for the ADB business. The historical AC calculation fully allocated any expenses heretofore not allocated between life insurance and ADB, down to the individual product level. The overhead not heretofore allocated was allocated per policy: five times as large on life insurance as on ADB. Net losses in a year on the ADB business, if any, were treated as the acquisition expense of new sales during that year, and the historical AC on policies still in force includes only a part of such loss in the proportion of current policies in force to all policies then in force. The historical gains and losses on a statutory basis are tax effected for a 34% tax rate and accumulated with after-tax investment return earned in the Open Block.

The future AC calculations on this business start with seriatim projections of individual ADB policies in force on the AC Date, with assumptions described below. The future profits are discounted to the present AC Date at a discount rate that is 79% of 4.0%.

Past and future AC values are combined for the ADB business, and negative value for the ADB business, if any, would have been set to zero. The sum total of AC values for the ADB business is divided by the sum total number of base ADB units on ADB business to derive the average AC per base ADB unit of ADB insurance in the Open Block.

The ACs on ADB policies are calculated as the average AC factor per ADB unit on Open Block ADB policies times the ADB units on the ADB policy.

c. Experience Factors—Prospective

Except as noted in Section B.2 regarding assumptions that cross lines of business, the prospective assumptions were generally those used in cash flow testing, and were based on Company experience supplemented by industry experience.

D. Life Insurance—Policies in the Open Block

4. Group Life—Traditional Worksite

a. Description of Business

This block consists of recently issued life insurance, predominantly term insurance, in worksites. The premiums are paid by the employer group, usually after payroll deduction. In the non-term plans, all-cause death benefits in the first two policy years are graded, with full death benefits in the first two years payable only upon accidental death.

b. Methodology

A cell approach to use available accounting records was used for historical AC calculations on this business. The records recorded the components of gain and loss by product and experience year, including the effects of reinsurance (where “product” distinguishes among several individual term products, ADB, and the two products in the group life line of business “Lifetime Benefit Term” and “Worksite Graded Death Benefit Whole Life”). The historical AC calculation fully allocated any expenses heretofore not allocated to specific products. Net gains and losses in a year on a group product were allocated among the certificate counts in force during that year.

The historical gains and losses on a statutory basis are tax-effected for a 34% tax rate and accumulated with after-tax investment return earned in the Open Block.

The future AC calculations on this business start with seriatim projections of individual certificates in force on the AC Date, with assumptions described below. The future profits are discounted to the AC Date at a discount rate that is 79% of 4.0%.

The group life business (excluding the mortgage term treated as individual term policies) is treated as one class, combining the past and future AC values of both products Lifetime Benefit Term and Worksite Graded Death Benefit Whole Life. The sum total of AC values for the class on the AC Date is divided by the sum total number of base face amount units (including those on individual direct bill) on group life certificates in force on the AC Date to derive the average AC per base face amount unit of group life insurance.

The AC on a group life policy in force on the Adoption Date is calculated as the average AC factor per base face amount unit on group life policies times the base face amount units in force on the Adoption Date on the group life policy (including those face amount units on individual direct bill).

D. Life Insurance—Policies in the Open Block

c. Experience Factors—Prospective

Except as noted in Section B.2 regarding assumptions that cross lines of business, the prospective assumptions were generally those used in cash flow testing, and were based on Company experience supplemented by industry experience. 100% of the term policies are assumed to lapse at the end of their level premium periods.

D. Life Insurance—Policies in the Open Block

E. INDIVIDUAL ANNUITIES

There are no individual in force annuity contracts eligible for subscription rights. The few in force annuities are structured settlement annuities which do not have membership rights. Therefore, there are no ACs for Individual Annuities.

E. Individual Annuities

ZQ|CERT#|COY|CLS|RGSTRY|ACCT#|TRANSTY|RUN#|TRANS#

PO BOX 43004, Providence, RI 02943-3004

ME A SAMPLE
DESIGNATION (if ANY)

A00 1
A00 2
A00 3
A00 4

Vericity™

CUSIP IDENTIFIER
Holder ID
Insurance Value
Number of Shares
DTC

12345678901234567890
1,000,000.00
123456

Certificate Numbers
NumNo. Denom. Total

12345678901234567890
12345678901234567890
12345678901234567890
12345678901234567890
12345678901234567890
12345678901234567890
12345678901234567890

Total Transaction

COMMON STOCK
PAR VALUE \$0.001

Certificate Number
ZQ00000000

Vericity™
VERICITY, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

Shares
*****000000*****
*****000000*****
*****000000*****
*****000000*****
*****000000*****

THIS CERTIFIES THAT

MR. SAMPLE & MRS. SAMPLE &
MR. SAMPLE & MRS. SAMPLE

is the owner of

***ZERO HUNDRED THOUSAND
ZERO HUNDRED AND ZERO***

SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 92347D 10 0

THIS CERTIFICATE IS TRANSFERABLE IN
CITIES DESIGNATED BY THE TRANSFER
AGENT, AVAILABLE ONLINE AT
www.computershare.com

FULLY-PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

Vericity, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Articles of Incorporation, as amended, and the By-Laws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

FACSIMILE SIGNATURE TO COME
President

FACSIMILE SIGNATURE TO COME
Secretary

Seal: VERICITY, INC. CORPORATE SEAL 02142013 DELAWARE

DATED DD-MMM-YYYY
COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR

By _____
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

1234567

VERICITY, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE ARTICLES OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT -Custodian.....	(Cust)	(Minor)
TEN ENT - as tenants by the entireties	under Uniform Gifts to Minors Act.....	(State)	
JT TEN - as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT -Custodian (until age.....)	(Cust)	(State)
	under Uniform Transfers to Minors Act.....	(Minor)	(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, hereby sell, assign and transfer unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

..... Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint
..... Attorney
to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: 20

Signature:

Signature:

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD UPRIGHT TO VERIFY WATERMARK.



The IRS requires that the named transfer agent ("we") report the cost basis of certain shares or units acquired after January 1, 2011. If your shares or units are covered by the legislation, and you requested to sell or transfer the shares or units using a specific cost basis calculation method, then we have processed as you requested. If you did not specify a cost basis calculation method, then we have defaulted to the first in, first out (FIFO) method. Please consult your tax advisor if you need additional information about cost basis.

If you do not keep in contact with the issuer or do not have any activity in your account for the time period specified by state law, your property may become subject to state unclaimed property laws and transferred to the appropriate state.

1534281



111 South Wacker Drive
Chicago, IL 60606
Telephone: 312-443-0700
Fax: 312-443-0336
www.lockelord.com

March 26, 2019

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631

Ladies and Gentlemen:

We have acted as counsel to Vericity, Inc., a Delaware corporation (the "Company"), in connection with the filing of a Registration Statement on Form S-1 (the "Registration Statement") with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), relating to the initial public offering of up to 20,125,000 shares of common stock, par value \$0.001 per share (the "Shares").

In connection with this opinion, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable in connection with this opinion, including, without limitation, (i) the corporate and organizational documents of the Company, including the form of Amended and Restated Certificate of Incorporation of the Company to be filed with the Delaware Secretary of State prior to the closing of the sale of the Shares and (ii) minutes and records of the corporate proceedings of the Company with respect to the issuance and sale of the Shares.

In our examination we have assumed (without any independent investigation) the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, the authenticity of originals of such copies and the authenticity of telegraphic or telephonic confirmations of public officials and others. As to facts material to our opinion, we have relied upon (without any independent investigation) certificates or telegraphic or confirmations of public officials and certificates, documents, statements and other information of the Company or its representatives or officers.

Based upon and subject to the foregoing, we are of the opinion that the Shares, when issued and sold against payment therefor pursuant to the terms described in the Registration Statement, will be validly issued, fully paid and nonassessable.

We express no opinion as to the laws of any jurisdiction other than the General Corporation Law of the State of Delaware. This opinion letter speaks only as of its date and is delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

We consent to the reference to our Firm under the heading “Legal Matters” in the prospectus forming a part of the Registration Statement, and to the filing of this opinion as Exhibit 5.1 to the Registration Statement. In giving this opinion, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ LOCKE LORD LLP

**AMENDED AND RESTATED STANDBY STOCK PURCHASE
AGREEMENT**

DATED AS OF MARCH 26, 2019

BY AND AMONG

APEX HOLDCO L.P.,

VERICITY, INC.,

MEMBERS MUTUAL HOLDING COMPANY,

AND

FIDELITY LIFE ASSOCIATION

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AMENDED AND RESTATED STANDBY STOCK PURCHASE AGREEMENT

This AMENDED AND RESTATED STANDBY STOCK PURCHASE AGREEMENT (this “**Agreement**”) is dated as of March 26, 2019, by and among APEX HOLDCO L.P., a Delaware limited partnership (the “**Standby Purchaser**”), VERICITY, INC., a Delaware corporation (“**HoldCo**”), MEMBERS MUTUAL HOLDING COMPANY, an Illinois mutual insurance holding company (“**Members Mutual**”), and solely with respect to Section 1.4(e)(iii), Fidelity Life Association, an Illinois legal reserve life insurance company (“**Fidelity Life**”). Any capitalized term used and not immediately defined is defined in Section 9.12 of this Agreement. This Agreement amends and restates that certain Standby Stock Purchase Agreement entered into by the parties hereto as of October 5, 2018 in its entirety.

WHEREAS, the Board of Directors of Members Mutual (the “**Members Mutual Board**”) has adopted a Second Amended and Restated Plan of Conversion (as amended or supplemented from time to time, the “**Plan of Conversion**”) attached hereto as Exhibit A, pursuant to which Members Mutual will convert from an Illinois domiciled mutual holding company to an Illinois domiciled stock company pursuant to Section 59.1 of the Illinois Insurance Code (the “**Conversion**”), and immediately following the Conversion Members Mutual will become a wholly owned subsidiary of HoldCo;

WHEREAS, for U.S. federal income tax purposes, HoldCo and Members Mutual intend for the Conversion to qualify as a “reorganization” under the provisions of Section 368(a)(1)(E) of the Code (as defined below), and have each adopted the Conversion as a “plan of reorganization” within the meaning of Treasury Regulation Section 1.368-2(g);

WHEREAS, a special meeting (including any adjournment or postponement thereof, the “**Special Meeting**”) of the Eligible Members of Members Mutual will be held to approve the Plan of Conversion and the Members Mutual Restated Articles, both of which must be approved by the affirmative vote of at least two-thirds of the votes cast at the Special Meeting (the “**Eligible Member Approval**”);

WHEREAS, as part of the Conversion, HoldCo will offer for sale between 14,875,000 shares (the “**Offering Minimum**”) of common stock of HoldCo, par value \$0.001 per share (the “**Common Stock**”) and 20,125,000 shares (the “**Offering Maximum**”) of Common Stock at a purchase price of \$10.00 per share (the “**Subscription Price**”) on a priority basis to Eligible Members of Members Mutual and the directors and officers of Members Mutual in the Subscription Offering in accordance with the Plan of Conversion;

WHEREAS, if the number of subscribers or the number of shares of Common Stock subscribed for by Eligible Members and other Offering Participants in the Subscription Offering, together with any shares subscribed for by Eligible Employees in the Community Offering, is not sufficient to qualify HoldCo for listing on the Nasdaq Capital Market, HoldCo may, in its sole discretion, accept orders for shares of Common Stock from select investors in the Community Offering up to the number of shares equal to (i) 1,500,000 minus (ii) the sum of the number of shares of Common Stock subscribed for by Eligible Members and other Offering Participants in the Subscription Offering and the number of shares subscribed for by Eligible Employees in the Community Offering, in order for HoldCo to qualify for listing on the Nasdaq Capital Market;

WHEREAS, if the number of shares of Common Stock subscribed for in the Subscription Offering, together with any subscriptions for shares accepted in the Community Offering, is less than the Offering Minimum, the Standby Purchaser is willing to purchase from HoldCo the number of shares of Common Stock that, together with the number of shares of Common Stock subscribed for in the Subscription Offering and the number of shares of Common Stock for which subscriptions are accepted in the Community Offering, equals the Offering Minimum, and may purchase such number of additional shares up to the Offering Maximum, which such additional shares may permit the Standby Purchaser to acquire up to a majority of the shares of Common Stock sold (such offering of shares of Common Stock to the Standby Purchaser, the “**Standby Offering**”, and together with the Subscription Offering and the Community Offering, the “**Offerings**”);

WHEREAS, in connection with the Conversion, Members Mutual plans to adopt a bonus program for its employees that will provide employees the opportunity to receive a cash payment or acquire 100 shares of Common Stock of HoldCo (the “**Employee Bonus Program**”), which will be conducted as part of the Community Offering, and is subject to completion of the Conversion;

WHEREAS, following the execution of this Agreement, HoldCo intends to file a registration statement on Form S-1 (as the same may be amended, the “**Registration Statement**”) to the SEC to register the shares to be offered in the Subscription Offering and the Community Offering;

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition and inducement to HoldCo’s and Members Mutual’s willingness to enter into this Agreement, J.C. Flowers IV L.P. (“**Fund IV**”), an Affiliate of the Standby Purchaser, has entered into an Amended and Restated Guaranty (the “**Guaranty**”), a copy of which is attached hereto as Exhibit D, which amends and restates in its entirety that certain Guaranty, dated as of October 5, 2018, entered into by and among Fund IV, Holdco and Members Mutual, pursuant to which Fund IV will guarantee the payment of all obligations (including any payment due for damages) of the Standby Purchaser under this Agreement; and

WHEREAS, at or promptly following the closing of the transactions contemplated by this Agreement, the Standby Purchaser and certain members of the board and management of Members Mutual will enter into an equity incentive plan arrangement as described in the Registration Statement.

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

ARTICLE I

THE STANDBY PURCHASE

Section 1.1. Standby Purchase Commitment.

(a) Subject to the terms and conditions of this Agreement, the Standby Purchaser agrees to purchase from HoldCo, at the Subscription Price, the number of shares

of Common Stock of HoldCo equal to the difference between (i) the Offering Minimum and (ii) the sum of the number of shares of Common Stock subscribed for in the Subscription Offering and the number of shares of Common Stock for which subscriptions are accepted in the Community Offering (the “**Mandatory Standby Shares**”); provided, that the number of shares of Common Stock for which subscriptions are accepted by Members Mutual from select investors in the Community Offering shall be no more than the number equal to (i) 1,500,000 minus (ii) the number equal to the sum of the number of shares of Common Stock subscribed for in the Subscription Offering and the number of shares of Common Stock subscribed for by Eligible Employees in the Community Offering.

(b) If the Initial Standby Ownership Percentage is equal to or less than 50%, the Standby Purchaser shall have the option to purchase such number of additional shares of Common Stock at the Subscription Price (the “**Optional Standby Shares**”, and together with the Mandatory Standby Shares, the “**Standby Shares**”), such that the Final Standby Ownership Percentage is equal to or less than 51%; provided, however, that in no event may the Standby Purchaser purchase a number of shares of Common Stock that, together with the sum of the number of shares of Common Stock sold in the Subscription Offering and the number of shares of Common Stock for which subscriptions are accepted in the Community Offering, would exceed the Offering Maximum. As used herein, the “**Initial Standby Ownership Percentage**” shall mean the quotient, (i) the numerator of which equals the number of Mandatory Standby Shares and (ii) the denominator of which equals the sum of (x) the total number of shares of Common Stock of HoldCo subscribed for in the Subscription Offering and the number of shares for which subscriptions are accepted in the Community Offering, and plus (y) the number of Mandatory Standby Shares; and the “**Final Standby Ownership Percentage**” shall mean a quotient, (i) the numerator of which equals the number of Standby Shares and (ii) the denominator of which equals the sum of (A) the total number of shares of Common Stock of HoldCo subscribed for in the Subscription Offering and the number of shares for which subscriptions are accepted in the Community Offering, and plus (B) the number of Standby Shares.

(c) If the number of shares of Common Stock subscribed for by Eligible Members and the directors and officers of Members Mutual in the Subscription Offering, together with the number of shares of Common Stock for which subscriptions are accepted in the Community Offering, is equal to or greater than the Offering Minimum, the Standby Purchaser may purchase a number of shares of Common Stock (if any) that, together with the number of shares of Common Stock sold in the Subscription Offering and the number of shares of Common Stock for which subscriptions are accepted in the Community Offering, would not exceed the Offering Maximum.

Section 1.2. Issuance of Members Mutual Shares to HoldCo. Upon the terms and subject to the conditions of the Plan of Conversion and this Agreement, immediately after the Plan becomes effective on the Effective Date, Converted Members Mutual shall issue to HoldCo 1,000 shares of Converted Members Mutual’s common stock, \$1.00 par value per share, which shall constitute all of the authorized shares of capital stock of Converted Members Mutual.

Section 1.3. Closing.

(a) The closing (the “**Closing**”) of the transactions contemplated by this Agreement , including the purchase of the Standby Shares by the Standby Purchaser, shall take place (i) at the offices of Locke Lord LLP, 111 S. Wacker Dr., Chicago, Illinois 60606, at 10:00 a.m., Central time, as soon as possible after, and in any event within three Business Days of, the date on which the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall have been satisfied or waived in accordance with this Agreement, or (ii) at such other place and time and/or on such other date as the parties hereto may mutually agree in writing.

(b) At least one (1) Business Day prior to the date of the Special Meeting, the Standby Purchaser shall deposit with the escrow agent (as identified in the Registration Statement) (the “**Escrow Agent**”), for the benefit of HoldCo and Members Mutual, sufficient funds in cash to pay for the Purchase Price at the Closing (the “**Escrow Fund**”).

(c) At the Closing (i) HoldCo shall issue and sell to the Standby Purchaser, and the Standby Purchaser shall purchase from HoldCo, the number of Standby Shares determined in accordance with Section 1.1 at the Subscription Price (the aggregate amount of such purchase price, the “**Purchase Price**”), and (ii) HoldCo shall issue to the Standby Purchaser the Standby Shares represented by certificates or in book entry form against delivery to HoldCo by the Escrow Agent of the Purchase Price therefor from the Escrow Fund in immediately available funds by wire transfer to an account or accounts designated by HoldCo in writing prior to the Closing.

Section 1.4. Post-Closing Governance Matters.

(a) On or prior to the Effective Date, HoldCo shall cause the Amended and Restated Certificate of Incorporation of HoldCo (the “**Restated Articles**”) in the form attached hereto as Exhibit B to have been duly filed with the Secretary of State of Delaware, which shall be effective until thereafter altered, amended or repealed.

(b) On or prior to the Effective Date, HoldCo shall cause the Amended and Restated Bylaws of HoldCo in the form attached hereto as Exhibit C (the “**Restated Bylaws**”) to have been duly adopted by the Board of Directors of HoldCo (the “**HoldCo Board**”), which shall be effective only upon the Closing and until thereafter altered, amended or repealed.

(c) The Restated Bylaws shall provide for, among other things, the following board composition mechanisms during the Standstill Period:

(i) the HoldCo Board shall consist of the Standby Purchaser Designees and the Company Designees, it being understood that the number of Company Designees shall not exceed six (6), nor at any time be less than two (2), and that the number of Standby Purchaser Designees at any given time shall be one (1) more than the number of Company Designees, but in no event less than three (3); provided, that the Standby Purchaser shall have the right to remove any Standby Purchaser Designee at any time with or without Cause; provided, further, that if

among the Company Designees and the Standby Purchaser Designees there are insufficient independent directors available to satisfy the independence requirements under the rules of the Nasdaq Stock Market or the Securities and Exchange Commission relating to the number of independent directors required to serve on the board of directors or any committee thereof, the Standby Purchaser shall have the right to designate the minimum number of additional directors necessary to satisfy such applicable independence requirements; provided, further, that while the Standby Purchaser shall have the right to designate such additional directors and their successors or replacements, such additional directors shall not be deemed to be Standby Purchaser Designees under this Agreement.

(ii) **“Standby Purchaser Designees”** shall mean the individuals designated by the Standby Purchaser and identified as such in the Registration Statement, one of whom shall be the chairman of the HoldCo Board;

(iii) **“Company Designees”** shall mean the individuals designated by Members Mutual and identified as such in the Registration Statement, one of whom shall be the Chief Executive Officer of HoldCo;

(iv) the initial composition of the committees of the HoldCo Board shall be determined by Members Mutual and the Standby Purchaser and reflected as such in the Registration Statement; provided, that the majority of the members of such committees shall consist of Standby Purchaser Designees (and if applicable such additional directors as provided in Section 1.4(c)(i) above), and that at least one Company Designee shall serve on each committee;

(v) the compensation payable to the Company Designees may be decreased only with the consent of a majority of the Company Designees and increased only with the consent of a majority of the Standby Purchaser Designees;

(vi) in the event of any vacancy in the office of any Standby Purchaser Designee, a majority of the remaining Standby Purchaser Designees shall have the right to designate a replacement, and in the event of any vacancy in the office of any Company Designee, a majority of the remaining Company Designees shall have the right to designate a replacement, in each case to fill such vacancy; provided, that in the event of any vacancy in the office of any Company Designees, at the election of the Standby Purchaser, in lieu of the designation of a replacement Company Designee, the size of the HoldCo Board may be reduced by two (2) directors, with one of the Standby Purchaser Designees resigning such that the Standby Purchaser will continue to have one more designee than the number of Company Designees (provided that the number of Company Designees, as reduced as aforesaid, may not be reduced below two (2));

(vii) at any election of directors of HoldCo, a majority of the Standby Purchaser Designees shall have the right to nominate the successors of the Standby Purchaser Designees (and as applicable such additional directors as provided in Section 1.4(c)(i) above), and a majority of the Company Designees shall have the

right to nominate the successors of the Company Designees, in each case for election or reelection to the HoldCo Board; and

(viii) the establishment of an advisory board (the “**Advisory Board**”) to advise and provide general policy advice to the HoldCo Board, as follows:

(A) the Advisory Board shall be established upon effectiveness of the Restated Bylaws and shall terminate on (i) the earlier of the consummation of a Sale of the Company to a Third Party Purchaser or (ii) the fifth anniversary of the Closing (the “**Advisory Board Termination Date**”). Members of the Advisory Board shall be entitled to attend all meetings of the HoldCo Board and to participate in any discussions thereat, but shall not have a vote as a director of HoldCo;

(B) members of the Advisory Board shall serve until the Advisory Board Termination Date or their earlier death, retirement or resignation. Only those individuals who were directors of Members Mutual as of the date hereof shall be eligible to serve on the Advisory Board. The initial members of the Advisory Board shall be designated by Members Mutual. Upon a Company Designee’s resignation or retirement from the HoldCo Board prior to the Advisory Board Termination Date, a Company Designee may, effective upon notice to HoldCo, become a member of the Advisory Board and shall serve until the Advisory Board Termination Date or such member’s earlier death, resignation, or removal for Cause;

(C) in the event that there are no Company Designees then serving on the HoldCo Board to designate replacement Company Designees pursuant to Section 1.4(c)(vi) or to nominate Company Designees pursuant to Section 1.4(c)(vii), the Advisory Board shall have the right, by majority vote, to designate or nominate such Company Designees; and

(D) members of the Advisory Board shall be entitled to the same compensation and expense reimbursement as the Company Designees receive for serving on the Holdco Board, and separate rights to third-party indemnification and advancement of expenses for service on the Advisory Board; and

(ix) the provisions of this Section 1.4(c) are intended to be for the benefit of (A) the Group and will be enforceable by the Company Designees against the Standby Purchaser and each Group Company, and (B) the Standby Purchaser and will be enforceable by the Standby Purchaser against the Company Designees, as applicable, during the Standstill Period.

(d) On or prior to the Closing Date, the HoldCo Board shall adopt a resolution (the “**New Director Resolution**”) approving, effective only upon the Closing, the items listed on Schedule 1.4(d) in accordance with the Restated Bylaws.

(e) During the Standstill Period:

(i) the Standby Purchaser shall not Vote its Shares to (A) remove or seek to remove any Company Designee without either (x) the consent of a majority of the Company Designees or (y) for Cause or (B) approve or seek to approve a Material Amendment to the Restated Articles or the Restated Bylaws unless such Material Amendment has been approved and recommended by a majority of the Company Designees; provided, however, that nothing in this Section 1.4(e)(i) shall be deemed to prevent the Standby Purchaser from Voting its Shares in favor of the Sale of the Company to a Third Party Purchaser;

(ii) the Standby Purchaser shall Vote its Shares as directed or recommended by a majority of the Company Designees (or, if there are no Company Designees, by a majority of the members of the Advisory Board) with respect to (A) the election of Company Designees (or successors nominated by the Company Designees or Advisory Board) as directors, and (B) the removal for Cause of any Standby Purchaser Designee;

(iii) without the consent of a majority of the Company Designees, Fidelity Life agrees not to declare, set aside, or pay any cash or non-cash dividend or make any cash or non-cash dividend or distribution in respect of the outstanding shares of its capital stock; and

(iv) the Standby Purchaser and HoldCo shall consider in good faith reasonable recommendations from the Chief Executive Officer as to actions to be taken (A) in order to maintain or enhance the “A-” A.M. Best rating of Fidelity Life, and (B) as may be required by the Insurance Department.

(v) Any transaction between the Standby Purchaser or any of its Affiliates, on the one hand, and any Group Company, on the other hand, shall be subject to approval by the Company Designees and the Standby Purchaser Designees shall recuse themselves from voting on the approval of such transactions; provided, that the Standby Purchaser Designees shall not be required to recuse themselves from any decision approving a transaction between Members Mutual or any Group Company, on the one hand, and a portfolio company of the Standby Purchaser or its Affiliates, on the other hand, effected in the ordinary course of business (which, for this purpose, includes entry into an agency agreement) of Members Mutual or any Group Company on arms’ length terms.

The provisions of this Section 1.4(e) are intended to be for the benefit of the Group and will be enforceable by the Company Designees against the Standby Purchaser and each Group Company during the Standstill Period.

(f) During the Post-Closing Protection Period, Standby Purchaser and HoldCo agree that James E. Hohmann shall serve as Chief Executive Officer of HoldCo subject to his earlier death, retirement, resignation or removal for Cause, and except as may be otherwise recommended by the Chief Executive Officer, HoldCo shall:

(i) for a period of two years following the Closing, (A) not conduct a material reduction in the total number of employees of each Group Company compared to the total number employed at Closing or reduce the compensation of the employees of such Group Company (including but not limited to rates of annual base salary or wage level, bonuses and severances) in a manner that is less favorable in the aggregate to that provided to such employees by such Group Company immediately prior to the Closing (subject in each case to maintenance of satisfactory performance evaluations), and (B) cause each Group Company to honor any Benefit Plans of such Group Company in effect upon consummation of the Closing in accordance with their terms (subject to the rights therein to terminate or amend such plans, only upon the recommendation of the Chief Executive Officer); provided, that this subsection (i) is not intended (X) as a guarantee of employment or of the provision of any benefit that any employee may have or become entitled to under any Benefit Plan, or (Y) to prohibit the Chief Executive Officer from making individual or more comprehensive changes related to employees of the Group Companies as the business needs may dictate; and

(ii) cause the Group to maintain the headquarters office at 8700 W. Bryn Mawr Avenue, Suite 900S, Chicago, Illinois 60631, and cause Efinancial, LLC to maintain its principal place of business at 13810 Southeast Eastgate Way, Suite 300, Bellevue, Washington.

(g) If the Standby Purchaser acquires a majority of the outstanding Common Stock in the Standby Offering and HoldCo otherwise qualifies as a “Controlled Company” within the meaning of Nasdaq Stock Market rules, HoldCo shall rely on the “controlled company” exceptions within the meaning of the Nasdaq Stock Market rules.

(h) Effective upon the Closing, the compensation payable to the Company Designees for serving on the HoldCo Board shall be fixed at \$100,000 per year, payable in quarterly installments.

Section 1.5. Registration Statement; Prospectus; Special Meeting of Members.

(a) Registration Statement. HoldCo shall prepare and, after providing the Standby Purchaser with a reasonable opportunity to review and provide comments, promptly file with the SEC the Registration Statement on Form S-1 for the purpose of registering the Common Stock to be offered in the Subscription Offering and the Community Offering under the Securities Act and shall use reasonable best efforts to obtain and furnish the information required to be included by the SEC in the Registration Statement, which shall include the prospectus with respect to the Subscription Offering, the Community Offering (the “**Prospectus**”). Standby Purchaser shall furnish HoldCo with all information concerning itself as required by applicable securities laws (as determined by HoldCo or counsel to HoldCo) and shall take such other action as HoldCo may reasonably request to assist in connection with the effectiveness of such Registration Statement and the issuance of the Common Stock. HoldCo shall (i) respond as promptly as practicable to any comments made by the SEC with respect to the Registration Statement, (ii) furnish the Standby Purchaser with copies of any amendment, supplement or revision

to the Registration Statement (including the Prospectus) within a reasonable amount of time prior to the filing of such documents, (iii) provide the Standby Purchaser with a reasonable opportunity to review such documents and reasonably consider any comments suggested by the Standby Purchaser or its counsel, and (iv) use its reasonable best efforts to have the Registration Statement declared effective by the SEC. HoldCo agrees that (i) the Registration Statement, on the date it becomes effective, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading and (ii) the Prospectus, at the expiration of the subscription offering period, will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that HoldCo is not making any covenant with respect to any information being furnished by the Standby Purchaser with respect to the Standby Purchaser as set forth in this Section 1.5(a)).

(b) Special Meeting of Members. Members Mutual, acting through its board of directors and subject to Members Mutual's right to terminate this Agreement as provided in Article VIII hereof, shall duly call, send notice of, convene and hold the Special Meeting as soon as practicable after the later of (i) the dates of the approval of the Plan of Conversion and the Standby Purchaser Form A by the Department, and (ii) the date upon which the Registration Statement is declared effective by the SEC (the "**Effective Date of Registration Statement**"), for the purpose of voting upon a proposal to adopt the Plan of Conversion and the Amended and Restated Articles of Incorporation of Converted Members Mutual substantially in a form previously agreed to by the parties (the "**Members Mutual Restated Articles**"). Members Mutual shall mail, or cause to be mailed, the notice of the Special Meeting, the proxy statement for the Special Meeting (the "**Proxy Statement**") and the Prospectus, to the Eligible Members at least thirty (30) days prior to the date of the Special Meeting.

Section 1.6. No False or Misleading Statements.

(a) Each of the Standby Purchaser, Members Mutual and HoldCo, severally and not jointly, agrees that the information provided and to be provided in writing by or on behalf of the Standby Purchaser, Members Mutual or HoldCo, as the case may be, specifically for use in the Registration Statement and the Prospectus, shall not, with respect to the information supplied by such party:

(i) in the case of the Registration Statement, on the date it becomes effective, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and

(ii) in the case of the Prospectus, on the expiration of the subscription offering period, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) If at any time prior to the applicable dates referred to in Section 1.6(a), any event shall occur or condition shall exist relating to the Standby Purchaser, Members Mutual, HoldCo or any of their respective Affiliates, officers or directors, that should be set forth in an amendment or supplement to the Prospectus or the Registration Statement so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, is discovered by the Standby Purchaser, Members Mutual or HoldCo, the party that discovers such information shall promptly notify the other parties and, to the extent required by Applicable Law, HoldCo shall cause an appropriate amendment or supplement describing such event or condition to be promptly prepared and filed with the SEC and disseminated to the Offering Participants, as may be necessary in the judgement of HoldCo or its counsel to correct such untrue statement or omission or to comply with applicable securities laws.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF STANDBY PURCHASER

The Standby Purchaser represents and warrants to Members Mutual and HoldCo as follows:

Section 2.1. Organization. The Standby Purchaser is a Delaware limited partnership, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization with the requisite corporate power and authority and all governmental approvals necessary to own, lease and operate its properties and to carry on its business as it is now being conducted.

Section 2.2. Authority Relating to this Agreement. The Standby Purchaser has the requisite power and authority to enter into this Agreement and any Related Document to which it is a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by the Standby Purchaser of this Agreement and each of the Related Documents to which it is a party and the consummation by the Standby Purchaser of the transactions contemplated hereby and thereby have been duly authorized, and no other actions on the part of the Standby Purchaser are necessary to authorize this Agreement, the Related Documents or the transactions contemplated hereby and thereby. This Agreement and each of the Related Documents to which it is a party has been duly and validly executed and delivered by the Standby Purchaser and (assuming each constitutes a valid and binding obligation of the other parties thereto) constitutes a valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms, subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought.

Section 2.3. Consents and Approvals; No Violations.

(a) Except for (A) applicable requirements of state laws relating to takeovers, state securities or blue sky laws, state insurance laws and the regulations promulgated

thereunder, (B) the filing and effectiveness of the Registration Statement, (C) the Illinois Approvals, and (D) the HSR Approval, if applicable (the requirements in clauses (A), (B), (C), and (D) collectively, the “**Governmental Approvals**”), no filing with, and no permit, authorization, consent or approval of, any Government Entity is necessary for the execution, delivery and performance of this Agreement by the Standby Purchaser and the consummation of the transactions contemplated hereby.

(b) No consent or approval of any other party (other than any Government Entity) is required to be obtained by the Standby Purchaser for the execution, delivery or performance of this Agreement or the performance by the Standby Purchaser of the transactions contemplated hereby.

(c) Neither the execution, delivery or performance of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with any of the provisions hereof, in each case by the Standby Purchaser, will:

(i) conflict with or result in any breach of any provisions of the Constituent Documents of the Standby Purchaser;

(ii) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, acceleration, vesting, payment, exercise, suspension or revocation) under, any of the terms, conditions, or provisions of any note, bond, mortgage, deed of trust, security interest, indenture, license, contract, agreement, plan or other instrument or obligation to which the Standby Purchaser is a party or by which it or any of its properties or assets is bound;

(iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Standby Purchaser or any of its respective properties or assets;

(iv) result in the creation or imposition of any Encumbrance on any asset of the Standby Purchaser; or

(v) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for the Standby Purchaser to conduct its business as currently conducted;

except in the cases of clauses (ii) through (v) above, where the violation, breach, conflict, default, termination, cancellation, vesting, payment, exercise, acceleration, suspension, revocation, failure to give notice, or creation or imposition of Encumbrance would not, individually or in the aggregate, have a material adverse effect on the ability of the Standby Purchaser to consummate the transactions contemplated hereby.

Section 2.4. Notice to Members and Registration Statement. None of the information provided or to be provided in writing by Standby Purchaser expressly for inclusion or incorporation by reference in the Proxy Statement with respect to the Special Meeting and notice to Eligible Members contemplated by the Plan of Conversion (collectively, the “**Member**

Notices”) and the Registration Statement (including the Prospectus), on the date it (or any amendment or supplement thereto) is first mailed to Offering Participants, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading, it being understood and agreed that only information supplied or to be supplied in writing by or on behalf of the Standby Purchaser consists of the information provided pursuant to Section 1.5(a) or otherwise under this Agreement. For the avoidance of doubt, no representation or warranty is made by Standby Purchaser with respect to information supplied by or on behalf of Members Mutual or any other Person for inclusion or incorporation by reference in such Member Notices and Registration Statement (including the Prospectus).

Section 2.5. Brokers. No person is entitled to any brokerage, financial advisory, finder’s or similar fee or commission payable by the Standby Purchaser in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of the Standby Purchaser.

Section 2.6. Accredited Investor. The Standby Purchaser (a) is an “accredited investor” as defined in Rule 501 as promulgated by the SEC under the Securities Act, (b) has had an opportunity to ask such questions of the officers and directors of Members Mutual and HoldCo as the Standby Purchaser deems relevant and has received satisfactory answers to such questions, (c) has been provided with copies of all documents and information that the Standby Purchaser has requested, (d) is a sophisticated and experienced investor in insurance companies and insurance holding companies, and (e) is purchasing the Standby Shares that it has agreed to purchase under this Agreement for investment and not with a view to the resale or distribution of such Standby Shares.

Section 2.7. Tax Matters. Neither the Standby Purchaser nor any of its Affiliates (i) has taken or agreed to take any action, or (ii) has knowledge of any fact or circumstances that could reasonably be expected to prevent or impede, the consummation of the Conversion from qualifying as a “reorganization” within the meaning of Sections 368(a)(1)(E).

Section 2.8. Sufficiency of Funds. Standby Purchaser has, or will have on Closing, sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement and Related Documents.

Section 2.9. Due Investigation. Standby Purchaser (a) has performed its own independent investigation, analysis and assessment of Members Mutual and its Subsidiaries, including HoldCo, (b) acknowledges that HoldCo and Members Mutual have made no representation or warranty (express or implied) as to the accuracy or completeness of any information (whether written or oral) transmitted or made available to Standby Purchaser or any of its representatives, except those expressly set forth in this Agreement, (c) acknowledges that it has not relied on HoldCo or Members Mutual or their respective representatives’ opinions or underwriting and actuarial criteria and analyses, and (d) has reached its own independent judgments to enter into and consummate this Agreement based upon its own independent judgments and underwriting and actuarial criteria and analyses.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF MEMBERS MUTUAL

Except as otherwise disclosed to the Standby Purchaser in the Disclosure Schedule, Members Mutual represents and warrants to the Standby Purchaser as follows:

Section 3.1. Organization. Members Mutual is a mutual holding company duly organized, validly existing and in good standing under the laws of the State of Illinois, and has all requisite corporate power and authority and all governmental approvals necessary to own, lease and operate its properties and to carry on its business as it is now being conducted. Each Group Company (other than Members Mutual) is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation and each possesses all requisite corporate power and authority and all governmental approvals necessary to own, lease and operate its properties and to carry on its respective business as presently conducted. Each Group Company is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not individually or in the aggregate have or be reasonably likely to result in an Material Adverse Effect. Copies of each Group Company's Constituent Documents have been made available to the Standby Purchaser and are complete and correct and in full force and effect. The Disclosure Schedule identifies all of the Subsidiaries of Members Mutual.

Section 3.2. Capitalization. As a result of Members Mutual's conversion from mutual to stock form and pursuant to the Plan of Conversion, on the Effective Date the authorized capital stock of Members Mutual will consist of 1,000 shares of common stock, par value \$1.00 per share. On the Effective Date, all of the authorized shares of common stock of Members Mutual will be issued to and held by HoldCo and will be validly issued, fully paid and nonassessable. There are no outstanding (a) securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase equity interests, equity-based compensation, "phantom" equity or similar interests of Members Mutual or any of its Subsidiaries; (b) options, warrants, subscriptions, calls, rights, equity-based compensation or awards, stock appreciation rights, or other agreements, to which Members Mutual or any of its Subsidiaries is a party, to purchase or subscribe for the equity interests, equity-based compensation, "phantom" equity or similar interests of Members Mutual or any of its Subsidiaries; or (c) contracts, commitments, agreements, understandings or arrangements of any kind, to which Members Mutual or any of its Subsidiaries is a party, relating to the issuance, transfer, sale, redemption, repurchase or acquisition of any equity interests, equity-based compensation, "phantom" equity or similar interests of Members Mutual or any of its Subsidiaries or any such convertible or exchangeable securities or any such options, warrants, calls or rights. The Disclosure Schedule identifies all of the outstanding and issued equity securities of the Subsidiaries of Members Mutual.

Section 3.3. Authority Relative to this Agreement. Members Mutual has the corporate power and the authority to enter into this Agreement and, subject to obtaining the Eligible Member Approval, to carry out its obligations hereunder, and Members Mutual has the authority, assuming the Governmental Approvals are duly obtained, to adopt the Plan of Conversion and to carry out its obligations thereunder. The execution, delivery and performance by Members Mutual of this

Agreement and each of the other Related Documents to which it is a party, and the consummation by Members Mutual of the transactions contemplated hereby and thereby, have been duly authorized by Members Mutual's Board of Directors, and no other corporate proceedings on the part of Members Mutual, other than obtaining the Eligible Member Approval, are necessary to authorize this Agreement and the Related Documents and the transactions contemplated hereby and thereby. Subject to the foregoing, this Agreement and each of the Related Documents to which it is a party has been duly and validly executed and delivered by Members Mutual and (assuming each constitutes a valid and binding obligation of the other parties thereto) constitutes a valid and binding agreement of Members Mutual, enforceable against Members Mutual in accordance with its terms, subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought.

Section 3.4. Consents and Approvals; No Violations.

(a) Except for the Governmental Approvals, no filing with, and no permit, authorization, consent or approval of, any Government Entity is necessary for the execution, delivery and performance of this Agreement by Members Mutual and the consummation of the transactions contemplated hereby.

(b) No consent or approval of any other party (other than any Government Entity) is required to be obtained by Members Mutual for the execution, delivery or performance of this Agreement or the performance by Members Mutual of the transactions contemplated hereby.

(c) Neither the execution, delivery or performance by Members Mutual of this Agreement or the other Related Documents to which it is a party, nor the consummation by Members Mutual or any Group Company of the transactions contemplated hereby or thereby, nor compliance by Members Mutual with any of the provisions hereof or thereof, will:

(i) conflict with or result in any breach of any provisions of the Constituent Documents of Members Mutual ;

(ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, vesting, payment, exercise, acceleration, suspension or revocation) under, any of the terms, conditions or provisions of any note, bond, mortgage, deed of trust, security interest, indenture, license, contract, agreement, plan or other instrument or obligation to which Members Mutual or any Group Company is a party or by which Members Mutual or any Group Company or any of their properties or assets may be bound;

(iii) subject to obtaining the Governmental Approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Members Mutual or any of its properties or assets;

(iv) result in the creation or imposition of any Encumbrance on any asset of Members Mutual; or

(v) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for Members Mutual to conduct its business as currently conducted;

except in the cases of clauses (ii) through (v) above, where the violation, breach, conflict, default, termination, cancellation, vesting, payment, exercise, acceleration, suspension, revocation, failure to give notice, or creation or imposition of Encumbrance would not, individually or in the aggregate, have a Material Adverse Effect.

(d) Except for the vote in respect of the Plan of Conversion and the Members Mutual Restated Articles to be taken at the Special Meeting, no vote of any member or holder of any other interest of Members Mutual is required by law, the Constituent Documents of Members Mutual or otherwise in order for Members Mutual to consummate the transactions contemplated by this Agreement and the Related Documents.

Section 3.5. Financial Statements.

(a) Members Mutual has made available to the Standby Purchaser complete and correct copies of the Financial Statements. The Financial Statements have been derived from the accounting books and records of Members Mutual and have been prepared on a basis consistent with U.S. GAAP, subject, in the case of interim unaudited Financial Statements, only to normal recurring year-end adjustments. The Financial Statements (including the notes thereto) present fairly in all material respects the consolidated financial position of Members Mutual as at the respective dates thereof, and the consolidated statements of income, cash flow and equity included in the Financial Statements present fairly in all material respects the consolidated results of operations, cash flows and consolidated equity of Members Mutual for the respective periods indicated.

(b) The term “**Financial Statements**” means the audited consolidated financial statements of Members Mutual as at and for the years ended December 31, 2018 and December 31, 2017, including in each case a consolidated balance sheet and consolidated statements of income, cash flow and equity.

Section 3.6. Statutory Financial Statements. The Annual Statements of Members Mutual as filed with the Department for the years ended December 31, 2018 and December 31, 2017, respectively, together with all exhibits and schedules thereto (the “**Statutory Financial Statements**”) have been prepared in accordance with the accounting practices prescribed or permitted by the Department (“**Statutory Accounting Practices**”), and such accounting practices have been applied on a consistent basis throughout the periods involved, except as expressly set forth in the notes, exhibits or schedules thereto, and the Statutory Financial Statements present fairly in all material respects the financial position and the results of operations for Members Mutual as of the dates and for the periods therein in accordance with applicable Statutory Accounting Practices. The financial statements contained in the Statutory Financial Statements

have been audited by the independent auditors of Members Mutual, and Members Mutual has made available to the Standby Purchaser true and complete copies of all audit opinions related thereto. Members Mutual has made available to the Standby Purchaser true and complete copies of all material examination reports of the Department and any insurance regulatory agencies since January 1, 2016, relating to Members Mutual. Members Mutual has made available to the Standby Purchaser true and complete copies of the Statutory Financial Statements.

Section 3.7. Absence of Certain Changes. Except as disclosed in Schedule 3.7, since December 31, 2018, there has been no event or condition that has had (or is reasonably likely to result in) a Material Adverse Effect, and Members Mutual has in all material respects conducted its business in the ordinary course consistent with past practice and has not taken any action which, if taken after the date hereof, would violate Section 5.1.

Section 3.8. Compliance with Law; Permits and Insurance Licenses.

(a) The business of Members Mutual is being, and during the last three (3) years has been, conducted in compliance in all material respects with all Applicable Laws including all insurance laws, ordinances, rules, regulations, decrees and orders of any Government Entity, except where the failure to so comply would not have or be reasonably likely to result in a Material Adverse Effect.

(b) Members Mutual and each Group Company and each of their employees who is required to do so by Applicable Law, is duly licensed and has all permits, licenses, and other authorizations from any Government Entity, the use and exercise of which are necessary for the conduct of its business as now conducted, and the business of Members Mutual and each Group Company has been and is being conducted in compliance with all such permits, licenses and authorizations, except where the failure to possess such licenses, permits or authorizations or so comply would not have or be reasonably likely to result in a Material Adverse Effect. All such permits, licenses and authorizations are in full force and effect in all material respects, and there is no proceeding or investigation pending or, to the Knowledge of Members Mutual, threatened that would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any such permit, license or authorization.

Section 3.9. Regulatory Filings. Members Mutual has made available for inspection by the Standby Purchaser true, correct and complete copies of all material registrations, filings and submissions made (i) since January 1, 2016, (ii) to the Knowledge of Members Mutual, in connection with the Department's financial examinations of Fidelity Life and Members Mutual as of December 31, 2013, and (iii) to the Knowledge of Members Mutual, in connection with approval of the Reinsurance Agreement by Members Mutual or any Group Company with any Government Entity and any material reports of examinations issued since January 1, 2016 by any such Government Entity that relate to Members Mutual or any Group Company. Each of Members Mutual and each Group Company has filed all reports, statements, documents, registrations, filings or submissions required to be filed by it with any Government Entity, except where the failure to file would not have or be reasonably likely to result in a Material Adverse Effect. To the Knowledge of Members Mutual, all such reports, statements, documents, registrations, filings or submissions were true, complete and accurate when filed, except where the failure to be true,

complete or accurate when filed would not have or be reasonably likely to result in a Material Adverse Effect.

Section 3.10. Prospectus. None of the information supplied or to be supplied by Members Mutual explicitly for inclusion or incorporation by reference in the Proxy Statement or the Prospectus, on the date it (or any amendment or supplement thereto) is first mailed to Offering Participants, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading, except that no representation or warranty is made by Members Mutual with respect to written information supplied by or on behalf of the Standby Purchaser expressly for the purpose of inclusion in the Proxy Statement or the Prospectus.

Section 3.11. Brokers. Except for Raymond James & Associates, Inc. and Griffin Financial Group LLC (the “**Investment Bankers**”), no person is entitled to any brokerage, financial advisory, finder’s or similar fee or commission payable by Members Mutual or any Group Company (other than HoldCo) in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Members Mutual. Members Mutual has disclosed to the Standby Purchaser the fees payable to the Investment Bankers in connection with the transactions contemplated hereby and all contracts between any Group Company and the Investment Bankers.

Section 3.12. Taxes.

(a) Each Group Company has timely filed all federal and state income Tax Returns and all other material Tax Returns required to be filed by it (taking into account any extensions of time within which to file which have not expired), and all such Tax Returns were true and complete in all material respects. All income and other material Taxes due and payable by each Group Company (taking into account all extensions of due dates) have been paid or adequately accrued or reserved for on the Financial Statements. Each Group Company has made all estimated Tax payments required to be made for the current taxable year sufficient to avoid any underpayment penalties or interest.

(b) No Group Company has (A) consented to extend the time in which any material Tax may be assessed or collected by any Taxing Authority, which extension remains in effect, or (B) entered into an agreement or waiver, or been requested to enter into an agreement or waiver, of any statute of limitations in respect of Taxes, which remains open. There are no audits, claims, examinations, or other legal proceedings now in progress against or with respect to any Group Company with respect to Taxes and no Group Company has received written notice from any Taxing Authority that any such audit, claim, examination, or other legal proceeding is pending or threatened.

(c) No Tax liens are currently in effect against any of the assets of any of the Group Companies other than liens for Taxes not yet due and payable, or that are being contested in good faith by appropriate proceedings and disclosed on Schedule 3.12(c).

(d) No Group Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any Tax period (or portion thereof) ending after the Closing Date as a result of: (A) the application of Section 481 or Section 263A of the Code (or any corresponding or similar provisions of state, local or foreign Tax laws) to transactions, events or accounting methods employed prior to the Closing, (B) any “closing agreement,” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax law) executed on or prior to the Closing, (C) any “intercompany transaction” or any “excess loss account” (within the meaning of Treasury Regulations Sections 1.1502-13 and 1.1502-19, respectively) (or any corresponding or similar provisions of state, local or foreign Tax law) occurring or arising with respect to any transaction on or prior to the Closing, (D) any installment sale or open transaction disposition made on or prior to the Closing, (E) any prepaid amount received or paid on or prior to the Closing, or (F) any election made under Section 108(i) of the Code prior to the Closing.

(e) No Group Company has any liability for the Taxes of any Person (other than another Group Company) under Treasury Regulations Section 1.1502-6 (or any corresponding or similar provision of state, local or foreign Tax law), as a transferee or successor, by Contract or otherwise (excluding customary Tax indemnification provisions in commercial Contracts not primarily relating to Taxes).

(f) No Group Company has at any time within the past two (2) years constituted either a “distributing corporation” or a “controlled corporation” in a distribution of stock intended to qualify in whole or in part for Tax-free treatment under Section 355 of the Code (or so much of Section 356 of the Code as relates to Section 355 of the Code).

(g) With respect to any taxable year for which the statute of limitations for assessment is open, no Group Company has participated in any “listed transaction” within the meaning of Treasury Regulations Section 1.6011-4(b).

(h) No Group Company is subject to any private letter ruling of the IRS or comparable ruling of any other governmental authority, in each case, that would have binding effect on any Group Company after the Closing.

(i) Any reference in this Section 3.12 to a Group Company shall be deemed to include a reference to any entity that shall have merged with or liquidated or converted into a Group Company.

Section 3.13. Labor Matters.

(a) Members Mutual and the Group Companies are in material compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours, including, without limitation, such laws relating to labor relations, equal employment opportunities, fair employment practices, prohibited discrimination, occupational health and safety, immigration, workers’ compensation, unemployment, the payment of social security and other taxes, and other similar employment activities.

(b) There are, and for the last three (3) years there has been no, material labor or employment disputes involving Members Mutual or any Group Company currently subject to any grievance procedure, arbitration, litigation or other proceeding, and there are no pending or, to the Knowledge of Members Mutual, threatened filings of unfair labor practice charges certification petitions regarding representation of employees, or other labor or employment claims or charges at any Government Entity. Neither Members Mutual nor any Group Company is a party to or bound by any collective bargaining agreement.

(c) Each individual who is currently performing, or who has performed services as an independent contractor or consultant of Members Mutual or any Group Company is and has been properly characterized as such based on the applicable standards under Applicable Law, except to the extent such improper characterization was not or would not reasonably be expected to be material. Each employee classified as being exempt from an employer's obligation to pay overtime is and has been properly characterized as such based on the applicable standards under applicable law. No individual who has performed services for Members Mutual or any Group Company has been improperly included or excluded from participation in any Benefit Plan based on the applicable standards under Applicable Law, except to the extent such improper inclusion or exclusion was not or would not reasonably be expected to be material. There is no officer or Key Employee who has given written notice of intention to terminate his, her or their employment with Members Mutual or any Group Company.

Section 3.14. Benefit Plans.

(a) The Disclosure Schedule identifies all Benefit Plans maintained by the Group Companies. Copies of each such Benefit Plan have been made available to the Standby Purchaser.

(b) All Benefit Plans comply in all material respects with (i) relevant provisions of the Employee Retirement Income Security Act of 1974 ("**ERISA**") and (ii) in the case of plans intended to qualify for favorable income tax treatment, provisions of the Code relevant to such treatment.

(c) Each Benefit Plan has been maintained in material compliance with its terms and with the requirements prescribed by all Applicable Laws.

(d) There has been no amendment to, written interpretation of or announcement (whether or not written) by Members Mutual or relating to, or change in employee participation or coverage under, any Benefit Plan that would materially increase the expense of maintaining such Benefit Plan above the level of the expense incurred in respect thereof for the most recent fiscal year ended prior to the date hereof.

(e) There is no action, claim, suit, investigation, audit or proceeding pending against or involving or, to the Knowledge of Members Mutual, threatened against or involving any Benefit Plan before any arbitrator or any Government Entity and no facts or

circumstances exist that would reasonably be expected to give rise to any such action, claim, suit, investigation, audit or proceeding.

(f) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby shall, either alone or in connection with any other event(s) give rise to any “excess parachute payment” as defined in Section 280G(b)(1) of the Code, any excise tax owing under Section 4999 of the Code or any other amount that would not be deductible under Section 280G of the Code.

Section 3.15. Absence of Undisclosed Liabilities. Members Mutual has no liabilities or obligations, contingent or otherwise, except (a) liabilities and obligations in the respective amounts reflected on or reserved against in Members Mutual’s consolidated balance sheet as of December 31, 2018 included in the Financial Statements, and (b) liabilities and obligations incurred in the ordinary course of business consistent with past practice since that date.

Section 3.16. Litigation. Except for denial-of-benefit claims litigation arising in the ordinary course of business for which appropriate reserves have been established or as set forth in the Disclosure Schedule, there is no suit, action, arbitration, claim, proceeding, investigation or similar legal proceeding (whether at law or equity, before or by any Government Entity or before any arbitrator) (“**Action**”) pending or, to the Knowledge of Members Mutual, threatened against or affecting Members Mutual or any Group Company, that if adversely determined would reasonably be expected to result in liabilities to Members Mutual or any Group Company in excess of \$500,000 individually or would reasonably be expected to result in injunctive relief against Members Mutual or any Group Company.

Section 3.17. Material Contracts.

(a) The Disclosure Schedules set forth a true, correct, and complete list of all of all of the following written contracts and other written agreements to which Members Mutual or any Group Company is a party (collectively, “**Material Contracts**”):

(i) any agreement (or group of related agreements) in respect to the furnishing of goods, equipment or the performance of services (including third-party insurance policy administration and other functions) of which have involved consideration in excess of \$500,000 in the twelve (12)-month period immediately preceding the date of this Agreement or which provide for aggregate payment of more than \$500,000 over the remaining term of such agreement or related agreements;

(ii) all sales, broker, distributor, dealer, franchise, agency, sales promotion, market research, marketing, consulting and advertising contracts and agreements which have involved consideration in excess of \$500,000 in the twelve-month period immediately preceding the date of this Agreement or which provide for aggregate payment of more than \$500,000 over the remaining term of such agreement or related agreements;

- (iii) any employment, consulting or severance contract or arrangement with any officer, director or employee of Members Mutual or any Group Company, except for “at will” arrangements;
- (iv) any plan, arrangement or contract providing for bonuses, pensions, options, deferred compensation, retirement payments, profit sharing or similar arrangements for or with any past or present officers, directors or employees of Members Mutual or any Group Company;
- (v) all contracts or agreements granting to any Person an option or a first refusal, first-offer or similar preferential right to purchase or acquire any ownership interests or material assets (including, without limitation, insurance accounts or a book of business) of Members Mutual or any Group Company;
- (vi) any lease, sublease, including all amendments, extensions, and renewals with respect thereto, pursuant to which Members Mutual or any Group Company uses or occupies any land, building, structures, improvements or other real property;
- (vii) any agreement or instrument evidencing or related to indebtedness for borrowed money, whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which Members Mutual or any Group Company is an obligor to any person in excess of \$500,000;
- (viii) Any partnership and joint venture, or similar agreements
- (ix) All agreements that contain exclusive dealing or minimum purchase requirements for amounts in excess of \$500,000;
- (x) All agreements with any of the respective officers and directors of Members Mutual or any Group Company or Affiliates of such officers or directors, except with respect to remuneration for services rendered as a director, officer or employee of Members Mutual or any Group Company;
- (xi) All agreements involving (i) the resolution or settlement of any actual or threatened action entered into after January 1, 2013 or (ii) a Government Entity with obligations extending after the date hereof;
- (xii) All contracts or agreements providing for change in control, retention, or severance payments to any employees, directors, officers or individual independent contractors of Members Mutual or any Group Company;
- (xiii) Any agreement under which Members Mutual or any Group Company has advanced or loaned any amount to any of its directors, officers, or employees;

(xiv) any contracts or agreements containing (i) any grant (or covenant not to assert) by Members Mutual or any Group Company to another Person of or regarding any right relating to or under the Owned Intellectual Property, or (ii) any grant (or covenant not to assert) by another Person to Members Mutual or any Group Company of or regarding any right relating to or under any third Person's Intellectual Property rights (collectively, "**IP Licenses**"); in each case, excluding IP Licenses to (A) "open source" software code, (B) licenses to commercially available computer software licensed under "shrink wrap," "click wrap," or other standard form licenses for an annual or aggregate fee of no more than \$150,000, and (C) nonexclusive licenses to Owned Intellectual Property granted by Members Mutual or any Group Company to customers in the ordinary course of business;

(xv) any contract limiting the freedom of Members Mutual or any Group Company to engage in any type of business or region permissible under law, including non-compete or customer non-solicit requirements;

(xvi) all reinsurance and retrocessional treaties and agreements to which Members Mutual or any Group Company is a party and has any existing rights or obligations and upon which Members Mutual's or any Group Company's business is substantially dependent; and

(xvii) any other agreement that involves consideration in excess of \$500,000 in the twelve (12)-month period immediately preceding the date of this Agreement.

(b) True and correct copies of all Material Contracts (together with all amendments, waivers or other changes thereto in writing) have been made available to Standby Purchaser on or before the date hereof. Such Material Contracts are valid, binding and in full force and effect in all material respects on the date hereof. Neither Members Mutual nor any Group Company (nor, to the Knowledge of Members Mutual, any other party to any such Material Contract) has breached any material provision of, or is in default (or alleged to be in default or breach) in any material respect under, any material term of, any such Material Contract. To the Knowledge of Members Mutual, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute a material event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration of or other changes of or to any material right or obligation or the loss of any material benefit thereunder.

Section 3.18. Intellectual Property.

(a) Section 3.18(a) of the Disclosure Schedules sets forth a complete and correct list of all of the following Intellectual Property included in the Owned Intellectual Property: (A) issued Patents and pending applications for Patents, (B) domain name registrations and social media accounts, (C) registered Marks and pending applications for registration of Marks, and (D) registered Copyrights and pending applications for registration of Copyrights (collectively, the "**Scheduled Intellectual Property**"). All

Scheduled Intellectual Property is subsisting, and to the Knowledge of Members Mutual, valid and enforceable.

(b) Members Mutual or a Group Company solely and exclusively owns each item of Owned Intellectual Property, in each case, free and clear of all Encumbrances, except where the failure to so own any Intellectual Property right, has not had or would not have or be reasonably likely to result in a Material Adverse Effect. To the Knowledge of Members Mutual, the Owned Intellectual Property, along with the Intellectual Property licensed to Members Mutual or a Group Company pursuant to a valid written IP License (when used within the scope of the applicable IP License), constitutes all of the Intellectual Property necessary and sufficient for the conduct and operation of the business of the Company as presently conducted, except as has not had or would not have or be reasonably likely to result in a Material Adverse Effect.

(c) To the Knowledge of Members Mutual, the business and operations of Members Mutual or the Group Companies as conducted in the past has not infringed, misappropriated or otherwise violated, and as presently conducted does not currently infringe upon, misappropriate, or otherwise violate, any Intellectual Property rights of any Person. Members Mutual and the Group Companies (i) are not the subject of any pending Action, and have not received written notice of any threatened Action, either (A) involving a claim of infringement, misappropriation, or other violation by any Person against Members Mutual or the Group Companies, or (B) challenging the ownership, use, validity or enforceability of any Owned Intellectual Property; and (ii) have not received any written notice of any claim or Action involving or alleging any of the foregoing during the three year period preceding the date of this Agreement.

(d) To the Knowledge of Members Mutual, no Person has during the three year period preceding the date of this Agreement infringed upon, misappropriated or otherwise violated, or is currently infringing upon, misappropriating or otherwise violating, any Intellectual Property rights of Members Mutual or any Group Company. Neither Members Mutual nor any Group Company has made any such claims or allegations against any Person alleging any of the foregoing during the three year period preceding the date of this Agreement, and no Action is pending against a third Person.

(e) Members Mutual and each Group Company have taken reasonable security measures to protect the secrecy, confidentiality and value of all Trade Secrets included in the Owned Intellectual Property.

(f) The computer systems, networks, hardware, Software, databases, websites, and equipment used to process, store, maintain and operate data, information and functions used in connection with the business of Members Mutual and the Group Companies (the “**Company IT Systems**”) do not, to the Knowledge of Members Mutual, contain any viruses, worms, trojan horses, contaminants or similar devices that: (A) materially disrupt or adversely affect the functionality of any Company IT Systems, except as disclosed in their documentation; or (B) enable or assist any Person to access without authorization any Company IT Systems, except where such device, has not had or would not have or be reasonably likely to result in a Material Adverse Effect.

Section 3.19. Personal Information.

(a) Members Mutual and each Group Company have established and is in compliance in all material respects with its current privacy policies posted to an external-facing website of Members Mutual or any Group Company, or otherwise made available or communicated in writing to third parties by Members Mutual or any Group Company and terms of use available on its website(s) (and has been, during the period during which they were in effect, in compliance in all material respects with all of their historical privacy policies and terms of use) pertaining to the receipt, collection, access, storage, transfer and use of Personal Information. No such publicly available privacy policies or communications of Members Mutual or any Group Company have been inaccurate, misleading or deceptive in any material respect.

(b) Members Mutual and each Group Company have at all times complied with all applicable Privacy Laws in all material respects. Neither Members Mutual nor any Group Company has received any notice of any claims of, or been charged with the violation of applicable Privacy Laws or contractual commitments entered into regarding Personal Information.

(c) Members Mutual and each Group Company has implemented and at all times maintains in place commercially reasonable administrative, physical and technical security measures and safeguards to protect Personal Information against illegal or unauthorized access or use, or access or use by its personnel or third parties in a manner that violates applicable Privacy Laws. To the Knowledge of Members Mutual, there have been no data breaches, unauthorized access to or use or disclosure of any Personal Information under the control or possession of Members Mutual or any Group Company.

(d) Members Mutual and each Group Company have in place and maintain in effect reasonable redundancy, business continuity and disaster recovery plans, procedures and facilities appropriate for the nature of the risks associated with its business to safeguard its data, systems, and Personal Information, and enable the ongoing conduct of its businesses in the event of a disaster or systems outage.

Section 3.20. Anti-Bribery, Anti-Corruption, and Anti-Money Laundering Laws. During the last five (5) years and to the Knowledge of Members Mutual, neither Members Mutual nor any Group Company, nor any of their respective officers, directors, employees, agents, representatives, consultants, or any other Person acting for or on behalf of Members Mutual nor any Group Company, has, directly or indirectly, violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1, et seq., the Money Laundering Control Act, or any other applicable antimoney laundering, anti-bribery, or anti-corruption laws, rules, or regulations.

Section 3.21. Sanctions. Within the past five (5) years and to the Knowledge of Members Mutual, neither Members Mutual nor any Group Company, nor any of their respective officers, directors, employees, agents, representatives, consultants, or any other Person acting for or on behalf of Members Mutual nor any Group Company (a) is a Person with whom transactions are prohibited or limited under any economic sanctions laws, rules, or regulations, including those

administered by the U.S. government (including, without limitation, the Office of Foreign Assets Control), the United Nations Security Council, the European Union, or Her Majesty's Treasury, (b) has violated any economic sanctions laws, rules, or regulations within the last five year or has violated The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Public Law No. 107-56) signed into law October 26, 2001)), as amended. Within the past five (5) years, neither Members Mutual nor any Group Company has made any voluntary disclosures to Government Entity under economic sanctions laws, rules, or regulations; been the subject of any governmental investigation or inquiry regarding compliance with such laws, rules, or regulations; or been assessed any fine or penalty under such laws, rules, or regulations.

Section 3.22. Related Party Transactions. Except as set forth in Section 3.22 of the Disclosure Schedule, neither Members Mutual nor any Group Company is a party to any agreement or understanding with any current or, to the Knowledge of Members Mutual, former director, manager, officer or employee of Members Mutual or any Group Company except for agreements related to employment or severance agreements (which agreements were made in the ordinary course of business) and no current or former director, manager, officer or employee of Members Mutual or any Group Company owns any material asset, tangible or intangible, used in the business of Members Mutual or any Group Company.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF HOLDCO

Except as otherwise disclosed to the Standby Purchaser in the Disclosure Schedule, HoldCo represents and warrants to the Standby Purchaser as follows:

Section 4.1. Organization. HoldCo is a Delaware corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. HoldCo was formed in 2013 to be the holding company for Members Mutual upon its conversion to stock form. HoldCo has no Subsidiaries, no assets or liabilities, and has not engaged in any business activities. Upon the Closing, HoldCo will own all of the issued and outstanding capital stock of Converted Members Mutual, free and clear of Encumbrances except as set forth in this Agreement or the Related Documents.

Section 4.2. Capitalization. As of the Closing Date, the authorized capital stock of HoldCo will consist of (a) 30,000,000 shares of Common Stock. As of the date hereof, one share of HoldCo capital stock is issued and outstanding and held by Members Mutual. When issued pursuant to the Plan of Conversion and this Agreement, all of the issued and outstanding shares of Common Stock will be validly issued, fully paid and nonassessable. Except for the shares of Common Stock to be issued pursuant to the terms of the Plan of Conversion or this Agreement or as described in the Prospectus, there are no outstanding (a) securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase equity interests, equity-based compensation, "phantom" equity or similar interests of any Group Company; (b) options, warrants, subscriptions, calls, rights, equity-based compensation or awards, stock appreciation rights, or other agreements, to which any Group Company is a party, to purchase or subscribe for the equity interests, equity-based compensation, "phantom" equity or similar interests of any Group

Company; or (c) contracts, commitments, agreements, understandings or arrangements of any kind, to which any Group Company is a party, relating to the issuance, transfer, sale, redemption, repurchase or acquisition of any equity interests, equity-based compensation, “phantom” equity or similar interests of any Group Company or any such convertible or exchangeable securities or any such options, warrants, calls or rights.

Section 4.3. Authority Relative to this Agreement. HoldCo has the requisite corporate power and authority to enter into this Agreement and each of the Related Documents to which it is a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by HoldCo of this Agreement and each of the other Related Documents to which it is a party, and the consummation by HoldCo of the transactions contemplated hereby and thereby have been duly authorized by the HoldCo Board, and no other corporate proceedings on the part of HoldCo are necessary to authorize this Agreement and the Related Documents or the transactions contemplated hereby and thereby. This Agreement and each of the Related Documents to which it is a party has been duly and validly executed and delivered by HoldCo and (assuming each constitutes a valid and binding obligation of the other parties thereto) constitutes a valid and binding agreement of HoldCo, enforceable against HoldCo in accordance with its terms, subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar laws affecting creditors’ rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought.

Section 4.4. Validity of Stock and Issuance. The Standby Shares (a) are duly authorized, (b) when issued and sold to the Standby Purchaser will be validly issued, (c) after receipt of all consideration due therefor, will be fully paid and nonassessable, and (d) will be free and clear of Encumbrances except as set forth in this Agreement or the Related Documents.

Section 4.5. Registration Statement. At the time the Registration Statement becomes effective, the Registration Statement and the Prospectus will contain all material statements that are required to be stated therein in accordance with the Securities Act and the rules and regulations of the SEC, and will in all material respects conform to the requirements of the Securities Act and the rules and regulations of the SEC; neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, on such dates, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The representation and warranty made in this Section 4.5 does not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to HoldCo or any Group Company by or on behalf of the Standby Purchaser expressly for use in the Registration Statement or Prospectus or any amendment thereof or supplement thereto.

Section 4.6. Offering Exemption. Assuming that the representations and warranties contained in Section 2.6 are true and correct, the offer, sale and issuance of the Standby Shares in conformity with the terms of this Agreement are exempt from the registration requirements of the Securities Act and are exempt from the qualification or registration requirements of applicable state securities laws. Neither HoldCo nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Standby Shares to any Person or Persons so as to bring the sale of such Standby Shares by HoldCo within the registration provisions of the Securities Act or any state securities laws.

Section 4.7. Consents and Approvals; No Violations.

(a) Except for the Governmental Approvals, no filing with, and no permit, authorization, consent or approval of, any Government Entity is necessary for the execution, delivery and performance of this Agreement by HoldCo and the consummation of the transactions contemplated hereby.

(b) No consent or approval of any other party (other than any Government Entity) is required to be obtained by HoldCo or any Group Company for the execution, delivery or performance of this Agreement or the performance by HoldCo of the transactions contemplated hereby.

(c) Neither the execution, delivery or performance by HoldCo of this Agreement or the other Related Documents to which it is a party, nor the consummation by HoldCo of the transactions contemplated hereby or thereby, nor compliance by HoldCo with any of the provisions hereof or thereof, will:

(i) conflict with or result in any breach of any provisions of the Constituent Documents of HoldCo;

(ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, vesting, payment, exercise, acceleration, suspension or revocation) under, any of the terms, conditions or provisions of any note, bond, mortgage, deed of trust, security interest, indenture, license, contract, agreement, plan or other instrument or obligation to which HoldCo or any Group Company is a party or by which it or any of its properties or assets may be bound;

(iii) subject to obtaining the Governmental Approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to HoldCo or any of its properties or assets;

(iv) result in the creation or imposition of any Encumbrance on any asset of HoldCo; or

(v) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for HoldCo to conduct its business as currently conducted;

except in the cases of clauses (ii) through (v) above, where the violation, breach, conflict, default, termination, cancellation, vesting, payment, exercise, acceleration, suspension, revocation, failure to give notice, or creation or imposition of Encumbrance would not, individually or in the aggregate, have a Material Adverse Effect.

(d) No vote of any stockholder of HoldCo is required by law, the Constituent Documents of HoldCo or otherwise in order for HoldCo to consummate the transactions contemplated by this Agreement and the Related Documents.

Section 4.8. Brokers. Except for the Investment Bankers, no person is entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by HoldCo in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of HoldCo. HoldCo has disclosed to the Standby Purchaser the fees payable to the Investment Bankers in connection with the transactions contemplated hereby.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE CLOSING

Section 5.1. Conduct of Business by each Group Company Pending the Closing. From the date hereof until the Closing Date, unless (i) the Standby Purchaser shall otherwise consent in writing, (ii) set forth in Schedule 5.1 as expressly permitted, or (iii) expressly permitted by or required pursuant to this Agreement, each Group Company shall conduct its businesses in the ordinary course consistent with past practice and in compliance in all material respects with all Applicable Laws, and shall, to the extent consistent therewith, use commercially reasonable efforts to (i) preserve intact its business organization and goodwill and relationships with third parties (including relationships with policyholders, insureds, agents, underwriters and brokers), (ii) keep available the services of its current Key Employees, and (iii) maintain its current rights and franchises. In addition to, and without limiting the generality of the foregoing, except as set forth in Schedule 5.1 or as contemplated by the Plan of Conversion or the Prospectus or as otherwise expressly permitted by or required pursuant to this Agreement, from the date hereof until the Closing Date, without the prior written consent of the Standby Purchaser, no Group Company shall:

- (a) adopt or propose any change in its Constituent Documents;
- (b) issue or purchase, redeem or otherwise acquire, any share of capital stock or "phantom" equity or any option, warrant, subscription right, or other right to purchase capital stock or "phantom" equity or any security convertible into or exchangeable for capital stock or "phantom" equity (other than grants under Members Mutual's Long Term Incentive Plan in amounts consistent with past practice);
- (c) declare, set aside, or pay any cash or non-cash dividend or make any cash or non-cash dividend or distribution in respect of the outstanding equity securities of Members Mutual or any Group Company, provided, however, that this restriction shall not apply to ordinary cash dividends paid by Fidelity Life consistent with past practice in order to fund holding company operating expenses;
- (d) (i) merge or consolidate with any other Person or (ii) acquire a material amount of the assets or equity of any other Person;
- (e) sell, lease, license, subject to an Encumbrance, or otherwise surrender, relinquish or dispose of any material assets or property except, (A) pursuant to existing written contracts or commitments, or (B) in the ordinary course of business consistent with past practice;

(f) (i) enter into or amend any employment agreement that constitutes a Material Contract, (ii) adopt, enter into, terminate or amend any Benefit Plan that would increase the cost of such Benefit Plan to Members Mutual, (iii) increase in any manner the compensation, bonus or fringe or other benefits of, or pay any bonus to, any current or former director, officer, employee or consultant, except in the ordinary course of business consistent with past practice, (iv) pay any benefit or amount not required under any Benefit Plan, (v) grant or pay any severance or termination pay or increase in any manner the severance or termination pay of any current or former director, officer, employee or consultant, except in the ordinary course of business consistent with past practice;

(g) change any method of accounting or accounting practice, except for any such required change in U.S. GAAP or the applicable Statutory Accounting Practices;

(h) make, change or revoke any material written Tax election, settle or compromise any material Tax claim or liability, change (or make a request to any governmental entity to change) any material aspect of its method of accounting for Tax purposes, file any amended Tax Return, prepare any income or other material Tax Return in a manner that is materially inconsistent with the past practice of any Group Company (unless required by Applicable Law), surrender any claim for a refund of a material amount of Taxes, or consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment;

(i) other than in the ordinary course of business consistent with past practice, modify or amend in any material respect or terminate any Material Contract or enter into any new agreement which would have been considered a Material Contract if it were entered into at or prior to the date hereof;

(j) abandon, modify, waive, terminate or otherwise change any of its insurance licenses, except as may be required in order to comply with Applicable Law;

(k) enter into any agreement with or consent to any order to be issued by any Government Entity that obligates any Group Company to either take or forbear from taking any action that materially modifies the manner in which Members Mutual and the Group Companies have conducted the business in the ordinary course consistent with past practice or which obligates any Group Company to pay a fine or restitution in excess of \$500,000;

(l) make any material loans, indebtedness or advances to any Person or assume or guarantee any obligations of any Person, except for existing financing arrangements or otherwise in the ordinary course of business;

(m) incur any indebtedness for borrowed money in excess of \$500,000;

(n) acquire any material properties or assets or sell, assign, license, transfer, convey or otherwise dispose of any of the material properties or assets of Members Mutual and the Group Companies with a value in excess of \$500,000 individual or \$1,000,000 in the aggregate;

(o) enter into any material new lines of business or products (other than any new accidental death, term, whole, or universal life insurance products or substantially similar products for which prior written notice has been given to the Standby Purchaser before launch), except for those businesses or products in which Members Mutual or any Group Company are engaged on the date hereof;

(p) materially alter the practices or rates of any Group Company related to earned commission from external customers;

(q) pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), in each case, other than (i) settlement of policy claims or other payments, discharges, settlements or satisfactions in the ordinary course of business consistent with past practice, whether or not reinsured, (ii) settlements of litigation (other than claims litigation) that individually do not exceed \$750,000 or, in the aggregate, \$2,000,000, or (iii) payment of indebtedness, debt securities, guarantees, loans, advances and capital contributions made in the ordinary course of business consistent with past practices and in accordance with scheduled amortization or repayment schedules;

(r) form or cause the formation of any Subsidiary;

(s) amend the terms of the compensation payable to the Investment Bankers or any of their Affiliates in connection with the consummation of the Subscription Offering and/or the Standby Offering in a manner that is less favorable to any of the Group Companies as compared to the amounts set forth in the engagement letter with the Investment Bankers dated April 18, 2016, as amended on June 6, 2018; or

(t) agree or commit to do any of the foregoing.

Section 5.2. **Notification.** From the date of this Agreement until the Effective Date of the Registration Statement or the earlier termination of this Agreement pursuant to Article VIII, Members Mutual shall promptly, upon becoming aware, disclose to Standby Purchaser in writing (in the form of an updated Disclosure Schedule (each such additional written disclosure, a **“Disclosure Schedule Supplement”**)) if HoldCo or Members Mutual becomes aware of any matter, action, event, condition or circumstance which, if existing at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedule or which is otherwise necessary to correct any information in such Disclosure Schedule which has been rendered inaccurate thereby. Such Disclosure Schedule Supplements shall amend and supplement the appropriate sections of the Disclosure Schedule delivered on the date hereof; provided, that a Disclosure Schedule Supplement may only amend sections of this Agreement to reflect matters, actions, events, conditions or circumstances (a) occurring or arising after the date hereof, and (b) which are not the result of the failure by any Group Company to perform or comply with any covenant set forth in this Agreement; provided, further, that such Disclosure Schedule Supplement shall not affect the Standby Purchaser’s right to terminate this Agreement in accordance with Section 8.4(a) so long as Standby Purchaser exercises its right to so terminate within 30 days of delivery of such Disclosure Schedule Supplement, otherwise Standby Purchaser shall be deemed

to have waived its right to terminate this Agreement pursuant to Section 8.4(a) with respect to such Disclosure Schedule Supplement.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1. Access and Information; Confidentiality.

(a) Members Mutual and HoldCo shall each afford to the Standby Purchaser and its financial advisors, legal counsel, accountants, consultants, financing sources and other authorized representatives reasonable access during normal business hours throughout the period prior to the Closing Date to all of its books, records, properties, plants and personnel and, during such period, each shall furnish as promptly as practicable to the Standby Purchaser (a) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal securities laws, and (b) all other information as the Standby Purchaser may reasonably request, provided that no investigation by the Standby Purchaser or other information received by the Standby Purchaser shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made hereunder or the conditions to the obligation of the respective parties to consummate the transactions contemplated hereby.

(b) All information provided to the Standby Purchaser and its representatives pursuant to Section 6.1(a) prior to the Closing shall be held by the Standby Purchaser as Evaluation Material (as defined in the Confidentiality Agreement) and shall be subject to the Confidentiality Agreement, the terms of which are incorporated herein by reference. As used herein, “**Confidentiality Agreement**” shall mean the confidentiality agreement between the Standby Purchaser and Members Mutual, dated as of March 10, 2018.

Section 6.2. Capital Needs Assessment. Following the Closing, the Standby Purchaser agrees and acknowledges that the HoldCo Board shall direct HoldCo management to undertake and complete, within six (6) months after the Closing, an assessment of the current and projected capital reasonably required to be maintained at HoldCo to support the current and near term projected adequacy of capital levels at Fidelity Life and Efinancial and holding company expenses at HoldCo (the “**Capital Needs Assessment**”). If as a result of the Capital Needs Assessment, HoldCo management determines that the amount of capital retained by HoldCo exceeds the reasonable current and near term projected capital requirements, HoldCo management shall determine the amount of excess capital (if any) (“**Excess Capital**”) that may be available for distribution to HoldCo’s stockholders as a return of capital in the form of a special dividend and may recommend to the HoldCo Board that it consider the declaration of a special dividend in an amount not to exceed the amount of Excess Capital, it being understood that any decision regarding the declaration of any dividend, and the amount thereof, will be in the sole discretion of the HoldCo Board and will depend on many factors, including without limitation the Capital Needs Assessment, general economic and business conditions, HoldCo’s financial results and condition, legal and regulatory requirements (including compliance with Delaware law) and any other factors that the HoldCo Board may deem relevant.

Section 6.3. Filings; Other Actions.

(a) Subject to the terms and conditions herein provided, as promptly as practicable, HoldCo, Members Mutual and the Standby Purchaser shall: (i) make all filings required by the insurance regulatory authorities in Illinois, including, without limitation, the filing of the Standby Purchaser Form A by the Standby Purchaser, and any other relevant jurisdictions that may be required to be made in connection with this Agreement and Related Documents and the transactions contemplated hereby and thereby, (ii) use reasonable best efforts to cooperate with each other in timely making all such filings and timely seeking all other consents, approvals, permits, notices or authorizations (including obtaining the HSR Approval, if applicable) as may be required to be made in connection with this Agreement and Related Documents and the transactions contemplated hereby and thereby, and (iii) use reasonable best efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary or appropriate to consummate the transactions contemplated hereby as soon as practicable; provided, that no party hereto shall be required to agree to any Burdensome Condition in connection with seeking or obtaining such approvals from any Government Entity. In connection with the foregoing, Members Mutual will provide the Standby Purchaser, and the Standby Purchaser will provide Members Mutual, with copies of material correspondence, filings or communications between such party or any of its representatives, on the one hand, and any Government Entity or members of their respective staffs, on the other hand, with respect to this Agreement or Related Documents and the transactions contemplated hereby and thereby, and will keep the other party apprised of the status of any material communications with and any inquiries or request for additional information from any Government Entity; provided, that each party will provide the other party with a reasonable opportunity to review such documents prior to the filing thereof and reasonably consider any comments suggested by the other party or its counsel.

(b) The Standby Purchaser will cooperate with Members Mutual with respect to all matters coming before the Department in connection with this Agreement, the Related Documents and the transactions contemplated hereby and thereby, and Members Mutual will cooperate with Standby Purchaser with respect to all matters coming before the Department in connection with the Standby Purchaser Form A.

(c) The Standby Purchaser and Member Mutual shall be responsible for their respective fees and all costs of all regulatory filings related to any approvals from any Government Entity.

Section 6.4. Public Announcements. Until the Closing Date, except for any filings with the Department or SEC or other filings or communications contemplated by this Agreement, the Related Documents or the Plan of Conversion and the transactions contemplated hereby and thereby, no party to this Agreement will issue any press release or otherwise make any public statement, make any public filing or respond to any press inquiry in each case with respect to this Agreement, any Related Document or the transactions contemplated hereby and thereby without the prior approval of each of the other parties (which approval will not to be unreasonably withheld), except as may be required by Applicable Law or by obligations pursuant to any listing agreement with any national or regional securities exchange.

Section 6.5. Tax Treatment. The parties hereto acknowledge that the Conversion is intended to constitute a reorganization pursuant to Code Section 368(a)(1)(E) for Tax purposes. None of Members Mutual, HoldCo, or the Standby Purchaser shall take any action, and no such party shall allow an Affiliate of such party to take any action, if such action or failure to act could prevent or impede the Conversion from qualifying as a “reorganization” within the meaning of Code Section 368(a)(1)(E). Unless otherwise required by a “determination” within the meaning of Section 1313 of the Code, none of the Members Mutual, HoldCo, or the Standby Purchaser or any of their Affiliates shall take any position on any Tax Return or for any Tax purposes that is inconsistent with the Conversion qualifying as a “reorganization” within the meaning of Section 368(a)(1)(E) of the Code.

Section 6.6. Further Assurances. Subject to the terms and conditions of this Agreement, the Standby Purchaser, HoldCo and Members Mutual will each use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under Applicable Laws to consummate the transactions contemplated by this Agreement and Related Documents, including (i) preparing and filing as promptly as practicable with any Government Entity or other third party all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents; (ii) obtaining and maintaining all approvals, consents, registrations, permits, authorizations and other confirmations required to be obtained from any Government Entity or other third party that are necessary, proper or advisable to consummate the transactions contemplated by this Agreement.

Section 6.7. Post-Closing Standstill Provision. During the Standstill Period, except in connection with a Sale of the Company to a Third Party Purchaser, the Standby Purchaser agrees that, without the prior written consent of a majority of the Company Designees, neither the Standby Purchaser, nor any of its Affiliates or Associates nor any Person acting at their direction or on their behalf, will, directly or indirectly:

(a) with respect to HoldCo or the Common Stock, make, engage or in any way participate in, directly or indirectly, any “solicitation” (as such term is used in the proxy rules of the SEC) of proxies or consents (whether or not relating to the election or removal of directors); seek to advise, encourage or influence any Person with respect to the voting of any Common Stock (other than Affiliates or Associates); initiate, propose or otherwise “solicit” (as such term is used in the proxy rules of the SEC) stockholders of HoldCo for the approval of stockholder proposals whether made pursuant to Rule 14a-8 or Rule 14a-4 under the Exchange Act, or otherwise, or cause or encourage or attempt to cause or encourage any other Person to initiate any such stockholder proposal; otherwise communicate with HoldCo’s stockholders or others pursuant to Rule 14a-1(l)(2)(iv) under the Exchange Act; or participate in, or take any action pursuant to, any “shareholder access” proposal which may be adopted by the SEC, whether in accordance with previously proposed Rule 14a-11 or otherwise;

(b) seek, propose, or make any statement (except for (i) the Standby Purchaser Designees acting solely in their capacity as directors of HoldCo, (ii) by offers or proposals to the Board which do not require or result in public disclosure, or (iii) communications to existing and prospective investors and limited partners in Fund IV and affiliated investment

vehicles thereof which do not require or result in public disclosure or an amendment to a Schedule 13D or any other filings of the Standby Purchaser pursuant to the Exchange Act regarding the Standby Purchaser's beneficial ownership in HoldCo, in each case in connection with the Sale of the Company to a Third Party Purchaser) with respect to any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities, dissolution, liquidation, restructuring, recapitalization or similar transactions of or involving HoldCo or any of its Affiliates or Associates;

(c) acquire, offer or propose to acquire, or agree to acquire (except by way of stock dividends, stock splits or other distributions or offerings made available to holders of any shares of Common Stock generally), directly or indirectly, whether by purchase, tender or exchange offer, through the acquisition of control of another Person, by joining a partnership, limited partnership, syndicate or other "group" (within the meaning of section 13(d)(3) of the Exchange Act) or otherwise, any shares of Common Stock, Equity Securities, or any loans, debt securities, or assets of HoldCo or any of its Subsidiaries, or rights or options to acquire interests in any of the loans, debt securities, Equity Securities or assets of HoldCo or any of its Subsidiaries;

(d) form, join or in any way participate in a "group" (within the meaning of section 13(d)(3) of the Exchange Act) with respect to any shares of Common Stock, other than a group composed solely of the Standby Purchaser;

(e) deposit any shares of Common Stock in any voting trust or subject any shares of Common Stock to any arrangement or agreement with respect to the voting of any shares of Common Stock;

(f) act alone or in concert with others to control or seek to control, or influence or seek to influence, the management of HoldCo, the HoldCo Board or policies of HoldCo (other than control or voting of Standby Purchaser or any Standby Purchaser Designees as contemplated by this Agreement) (except for the Standby Purchaser Designees acting solely in their capacity as directors of HoldCo);

(g) make any demand or request for any shareholder list, or any related material, or for the books and records of HoldCo or its Affiliates;

(h) seek, alone or in concert with others, election or appointment to or representation on, or nominate or propose the nomination of any candidate to, the board of directors of HoldCo, or seek the removal of any member of the HoldCo Board, in a manner inconsistent with this Agreement (including Section 1.4);

(i) have any discussions or communications, or enter into any arrangements, understanding or agreements (whether written or oral) with, or instigate, advise, finance, assist or encourage, any other Person in connection with any of the foregoing (including by granting any waiver to any legal, financial, public relations, proxy solicitation or other firm that represented or was engaged by the Standby Purchaser, its Affiliates, Associates or any of their legal counsel with respect to HoldCo, which waiver would permit any such firm to represent any Person in connection with matters relating to HoldCo), or make any

investment in or enter into any arrangement with any other Person that engages, or offers or proposes to engage, in any of the foregoing;

(j) sell, transfer, assign, lend, convey, gift, mortgage, pledge, encumber, hypothecate or otherwise dispose of, directly or indirectly, including, through any merger, consolidation, reorganization, recapitalization, tender offer, exchange offer, or other similar transaction (a “**Transfer**”), any Standby Shares except to an Affiliate of the Standby Purchaser who agrees in writing to be bound by the terms of this Agreement; or

(k) otherwise take, or solicit, cause or encourage others to take, any action inconsistent with any of the foregoing.

The provisions of this Section 6.7 are intended to be for the benefit of the Group and will be enforceable by the Company Designees against the Standby Purchaser and each Group Company during the Standstill Period. For the avoidance of doubt, the provisions of this Section 6.7 shall not prevent the HoldCo Board nor the Standby Purchaser, nor any of its Affiliates or Associates nor any Person acting at their direction or on their behalf from hiring financial advisers, soliciting indications of interest, providing information, or engaging in or entering into discussions, communications, arrangements, understandings or agreements with, or instigating, advising, financing, assisting, or encouraging a Third Party Purchaser solely in connection with a potential Sale of the Company to such Third Party Purchaser.

Section 6.8. Director and Officer Indemnification and Insurance.

(a) All rights to indemnification, advancement of expenses and exculpation by each Group Company now or hereafter existing in favor of each Person who is now, or has been at any time prior to the date hereof or who becomes prior to the Closing Date, an officer or director of such Group Company, as provided in the articles of incorporation or by-laws (or similar organization documents) of such Group Company, in each case as in effect on the date of this Agreement (or in the case of HoldCo, the Closing Date), shall survive the Closing Date and shall continue in full force and effect in accordance with their respective terms. HoldCo agrees that at or prior to the Closing it shall enter into an indemnification agreement with each of the Standby Purchaser Designees and each member of the Advisory Board in a form previously agreed to by the parties.

(b) Parties hereto agree to maintain in effect for a period of six years after the Closing Date the current policies (or substantially similar policies with the same or increased limits) of directors’ and officers’ liability insurance maintained by each Group Company immediately prior to the Closing Date; provided that each Group Company may substitute therefor policies of at least the same coverage and amounts and containing terms and conditions that are not less advantageous to the directors and officers of such Group Company when compared to the insurance maintained by such Group Company as of the date hereof.

(c) The obligations of the Parties under this Section 6.8 shall not be terminated or modified in such a manner as to adversely affect any director or officer to whom this Section 6.8 applies without the consent of such affected director or officer (it being expressly agreed that the

directors and officers to whom this Section 6.8 applies shall be third-party beneficiaries of this Section 6.8, each of whom may enforce the provisions of this Section 6.8).

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE CLOSING

Section 7.1. Conditions to Each Party's Obligation to Effect the Closing. The respective obligations of each party hereto to effect the Closing shall be subject to the satisfaction at or prior to the Closing Date of the following conditions:

(a) No Government Entity having competent jurisdiction shall have issued any order, decree or ruling or taken any other action (and such order, decree, ruling or other action shall have become final and nonappealable) permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement;

(b) The Illinois Approvals shall have been received and not revoked;

(c) If applicable, HSR Approval shall have been obtained and not revoked;

(d) The Eligible Member Approval shall have been obtained at the Special Meeting;

(e) The Registration Statement shall have become effective under the Securities Act and no stop order shall have been issued;

(f) All of the conditions precedent to the consummation of the Offerings as set forth in the Plan of Conversion shall have been satisfied or waived (if capable of being waived); and

(g) The closing of the Subscription Offering and, if applicable, the Community Offering, pursuant to the terms and conditions of the Agency Agreement shall be consummated simultaneously with the Closing hereunder.

Section 7.2. Conditions to Obligations of Members Mutual and HoldCo to Effect the Closing. The obligations of Members Mutual and HoldCo to effect the Closing shall be subject to the satisfaction or waiver by Members Mutual and HoldCo of the following additional conditions:

(a) The representations and warranties of the Standby Purchaser contained in Article II, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or words of similar import, shall be true and correct in all respects (other than for *de minimis* exceptions) as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects (other than for *de minimis* exceptions) as of that specified date), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, have or reasonably be expected to have a material adverse effect on the Standby Purchaser's ability to consummate the transactions contemplated hereby;

(b) The Standby Purchaser shall have performed in all material respects its obligations under this Agreement required to be performed by it on or prior to the Closing Date; and

(c) Members Mutual and HoldCo shall have received a certificate of the Chief Executive Officer or the Chief Financial Officer of the Standby Purchaser as to the satisfaction of the conditions set forth in Sections 7.2(a) and 7.2(b).

Section 7.3. Conditions to Obligations of the Standby Purchaser to Effect the Closing. The obligations of the Standby Purchaser to effect the Closing shall be subject to the satisfaction or waiver by the Standby Purchaser of the following additional conditions:

(a) The representations and warranties of HoldCo and Members Mutual contained in Article III and Article IV respectively (other than the Fundamental Representations), disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or words of similar import, shall be true and correct in all respects (other than for *de minimis* exceptions) as of the Effective Date of the Registration Statement with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects (other than for *de minimis* exceptions) as of that specified date), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect; provided, however, that the condition set forth in this Section 7.3(a) shall expire, and may no longer be asserted, after the Effective Date of the Registration Statement;

(b) The Fundamental Representations of Members Mutual and HoldCo (as applicable), disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect or words of similar import, shall be true and correct in all respects (other than for *de minimis* exceptions) at and as of the Closing Date as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects (other than for *de minimis* exceptions) as of that specified date);

(c) Each of Members Mutual and HoldCo shall have performed in all material respects its obligations under this Agreement required to be performed by it on or prior to the Closing Date;

(d) No Material Adverse Effect shall have occurred between the date of this Agreement and the Closing Date; provided, however, that the condition set forth in this Section 7.3(d) shall expire, and may no longer be asserted, after the Effective Date of the Registration Statement;

(e) The Standby Purchaser shall have received a certificate of the Chief Executive Officer or the Chief Financial Officer of Members Mutual and HoldCo as to the satisfaction of the conditions set forth in Sections 7.3(a), 7.3(b), 7.3(c) and 7.3(d); and

(f) The Standby Purchaser shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of HoldCo certifying that attached thereto are true and complete copies of all resolutions adopted by the HoldCo Board authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions set forth herein, including, but not limited to, the New Director Resolution, and that all such resolutions are in full force and effect; and

(g) The Department shall not have revoked its prior written approval of any Reinsurance Agreement.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

Section 8.1. Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Closing by mutual written agreement of HoldCo, Members Mutual and the Standby Purchaser.

Section 8.2. Termination by Either Standby Purchaser or Members Mutual. This Agreement may be terminated by either the Standby Purchaser or Members Mutual if:

(a) The Eligible Member Approval shall not have been obtained at the Special Meeting;

(b) The Closing shall not have been consummated before September 30, 2019 (the “**Outside Date**”); provided that the party seeking to terminate this Agreement pursuant to this Section 8.2(b) shall not have failed to perform the covenants, agreements and conditions to be performed by it which has been the cause of, or resulted in, the failure of the Closing to occur by such date; or

(c) Any Government Entity having competent jurisdiction shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; provided that the party seeking to terminate this Agreement pursuant to this Section 8.2(c) shall have used all reasonable best efforts to remove such injunction, order or decree.

Section 8.3. Termination by Members Mutual. This Agreement may be terminated by Members Mutual if:

(a) the Standby Purchaser materially breaches any of its representations, warranties, covenants or agreements contained in this Agreement, which if not cured would cause the conditions set forth in Section 7.2(a) or Section 7.2(b) not to be satisfied, and such breach is incapable of being cured or shall not have been cured within 30 days after written notice thereof shall have been delivered to the Standby Purchaser; provided that at the time of such termination neither Members Mutual nor HoldCo shall be in material breach of any of their respective representations, warranties or covenants set forth in this Agreement; or

(b) by action of the Members Mutual Board, Members Mutual shall have Abandoned the Plan of Conversion and terminated the Subscription Offering prior to the Eligible Member Approval at the Special Meeting.

Section 8.4. Termination by Standby Purchaser. This Agreement may be terminated by the Standby Purchaser:

(a) prior to the Effective Date of the Registration Statement, if Members Mutual or HoldCo materially breaches any of their respective representations, warranties, covenants or agreements contained in this Agreement, which if not cured would cause the conditions set forth in Section 7.3(a) or 7.3(b) not to be satisfied, and such breach is incapable of being cured or shall not have been cured within 30 days after written notice thereof shall have been delivered to Members Mutual or HoldCo; provided that at the time of such termination the Standby Purchaser shall not be in material breach of any of its representations, warranties or covenants set forth in this Agreement; or

(b) within five (5) days of the receipt of the Illinois Approvals, if and only if such approvals contain or require, in the good faith determination of the Standby Purchaser, the imposition of a Burdensome Condition.

Section 8.5. Effect of Termination and Abandonment. In the event of termination of the Agreement pursuant to this Article VIII, written notice thereof shall as promptly as practicable be given to the other parties to this Agreement and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by any of the parties hereto. If this Agreement is terminated pursuant to this Article VIII: (a) there shall be no liability or obligation on the part of the parties hereto or their respective officers, directors, employees, representatives or Affiliates, and all obligations of the parties hereto shall terminate, except for (i) the obligations of the parties pursuant to this Section 8.5, Section 8.6 and the provisions of Article IX, and (ii) any liabilities for any willful breach by the parties of the terms and conditions of this Agreement or actual fraud prior to such termination; and (b) all filings, applications and other submissions made pursuant to the transactions contemplated by this Agreement shall, to the extent practicable, be withdrawn from any Government Entity to which made.

Section 8.6. Expense Reimbursement. If this Agreement has been terminated by Members Mutual pursuant to Section 8.3(b), then Members Mutual shall promptly pay to the Standby Purchaser in cash (by wire transfer of immediately available funds to an account to be designated by the Standby Purchaser), reimbursement of reasonable Transaction Expenses incurred by the Standby Purchaser in connection with the transactions contemplated by this Agreement not to exceed \$750,000 (the “**Expense Reimbursement**”).

ARTICLE IX

GENERAL PROVISIONS

Section 9.1. Survival of Representations, Warranties. None of the representations and warranties other than the Fundamental Representations in this Agreement or in any instrument

delivered pursuant to this Agreement shall survive the Effective Date of the Registration Statement, and none of the Fundamental Representations shall survive the Closing.

Section 9.2. Notices. All notices, claims, demands and other communications hereunder shall be in writing and shall be deemed given (a) after confirmation of receipt of a facsimile transmission, (b) one Business Day after delivered to a nationally recognized commercial delivery service promising next business day delivery and requiring receipt for delivery (such as Federal Express), (c) when delivered by hand or (c) three Business Days after the day when sent by United States mail, registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

- (a) If to HoldCo or Members Mutual, to:

8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
Tel: (800) 369-3990
Fax: 312-288-0073
Attn: John Buchanan, Esq. (General Counsel)

With a copy to:

Locke Lord LLP
111 S. Wacker Drive
Chicago, Illinois 60606
Tel: (312) 443-0700
Fax: (312) 443-0336
Attn: J. Brett Pritchard, Esq.
Charles Wu, Esq.

- (b) If to the Standby Purchaser, to:

J.C. Flowers & Co. LLC 767 Fifth Avenue, 23rd Floor
New York, NY 10153
Tel: (212) 404-6810
Fax: (212) 404-6898
Attn: Eric Rahe

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153-0119
Tel: (212) 310-8751
Fax: (212) 310-8007
Attn: Douglas P. Warner, Esq.

Section 9.3. Descriptive Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.4. Entire Agreement; Assignment. This Agreement (including the Exhibits, the Disclosure Schedule, and other documents and instruments referred to herein), when duly approved and adopted by all requisite parties, constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties hereto, with respect to the subject matter hereof, including any transaction between or among the parties hereto. This Agreement shall not be assigned by operation of law or otherwise; provided, that the Standby Purchaser may assign this Agreement to its Affiliates; provided, further, that such Affiliate must agree to be bound to the terms of this Agreement to the same extent as the Standby Purchaser and such assignment shall not release the Standby Purchaser from its obligations under this Agreement and such assignment shall not release Fund IV's obligations under the Guaranty except as provided under the terms of the Guaranty.

Section 9.5. Governing Law; Consent to Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Illinois or any other jurisdiction) that would cause the application of the Applicable Laws of any jurisdiction other than the State of Illinois.

(b) By execution and delivery of this Agreement, each of the parties hereto accepts and consents to the exclusive jurisdiction of the courts of the State of Illinois sitting in the County of Cook and the federal courts sitting in the Northern District of Illinois, for itself and in respect of its property, and waives in respect of both itself and its property any defense it may have as to or based on sovereign immunity, jurisdiction, improper venue or inconvenient forum. Each of the parties hereto irrevocably consents to the service of any process or other papers by the use of any of the methods and to the addresses set for the giving of notices pursuant to this Agreement. Nothing herein shall affect the right of any party hereto to serve such process or papers in any other manner permitted by law.

Section 9.6. Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto, provided that during the Standstill Period, this Agreement may not be amended by Members Mutual, Holdco or Fidelity Life without the consent of a majority of the Company Designees.

Section 9.7. Waiver. At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 9.8. Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement. This Agreement shall become effective when each party hereto shall have received counterparts thereof signed and delivered (by telecopy, electronic transmission or otherwise) by all of the other parties hereto.

Section 9.9. Severability; Validity; Parties in Interest. If any provision of this Agreement, or the application thereof to any person or circumstances is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable. Nothing in this Agreement, express or implied, is intended to confer upon any person not a party to this Agreement any rights or remedies of any nature whatsoever under or by reason of this Agreement except as otherwise expressly set forth herein.

Section 9.10. Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any provision of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. Any party seeking any such equitable remedy shall not be required to post a bond or other security in connection with any action brought with respect to this Agreement. This Agreement may only be enforced against the named parties hereto and their successors and assigns and all claims or causes of action that may arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement may be made only against such parties and their successors and assigns, and no past, present or future director, officer, employee, incorporator, member, manager, partner, shareholder, Affiliate, agent, attorney or representative of any party hereto shall have any liability or obligation with respect to this Agreement or with respect to any claim or cause of action, whether in tort, contract or otherwise (except for fraud), that may arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement and the transactions contemplated hereby; provided, however, that nothing in the forgoing shall affect or limit any obligation of Fund IV to HoldCo and/or Members Mutual under the Guaranty.

Section 9.11. Expenses. Except as otherwise provided in Section 8.6 hereof, each party hereto shall bear the respective legal, accounting and other costs and expenses of any nature ("**Expenses**"), relating to or in connection with the consummation of the transactions contemplated by this Agreement, incurred by any of them, whether or not this Agreement is consummated or terminated. For the avoidance of doubt, in the event that any of Sections 1.4(c), 1.4(e), or 6.7 is sought to be enforced by the Company Designees or Section 1.4(c) is sought to be enforced by the Standby Purchaser, the Expenses of such party shall be paid by HoldCo.

Section 9.12. Definitions.

(a) Terms Generally. The words "**hereby**", "**herein**", "**hereof**", "**hereunder**" and words of similar import refer to this Agreement as a whole (including any Exhibits hereto and Disclosure Schedules delivered herewith) and not merely to the specific section, paragraph or clause in which such word appears. All references herein to Sections, Exhibits

and Disclosure Schedules shall be deemed references to Sections of, Exhibits to, and Disclosure Schedules with this Agreement unless the context shall otherwise require. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The definitions given for terms in this Section 9.12 and elsewhere in this Agreement 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. Except as otherwise expressly provided herein, all references to “dollars” or “\$” shall be deemed references to the lawful money of the United States of America.

(b) Certain Terms. Whenever used in this Agreement (including in the Schedules), the following terms shall have the respective meanings given to them below or in the Sections indicated below:

Abandon: means that by resolution passed by the affirmative vote of two-thirds of its board of directors, Members Mutual has determined to withdraw the Plan of Conversion and terminate the Subscription Offering after determining in good faith that continued prosecution of the Plan of Conversion and Subscription Offering would or would reasonably be expected to (i) have a Material Adverse Effect, (ii) materially affect the aggregate economic benefits reasonably anticipated by HoldCo from the transactions contemplated hereby, or (iii) result in any condition, limitation, restriction or requirement that would materially limit or impose a material financial burden on the ability of HoldCo to operate any Group Company in a manner consistent with past practice.

Action: has the meaning set forth in Section 3.16.

Advisory Board: has the meaning set forth in Section 1.4(c)(viii).

Advisory Board Termination Date: has the meaning set forth in Section 1.4(c)(viii)(A).

Affiliate: has the meaning set forth in Rule 12b-2 under the Exchange Act and shall include Persons who become Affiliates of any Person subsequent to the date hereof.

Agency Agreement: means the agency agreement to be entered into by and among Members Mutual, HoldCo, and the Investment Bankers.

Agreement: this Amended and Restated Standby Stock Purchase Agreement as it may be amended from time to time.

Applicable Law: any applicable order, law, regulation, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Government Entity applicable to the parties hereto, or any of their respective Subsidiaries, properties or assets as the case may be.

Associate: shall have the meaning set forth in Rule 12b-2 under the Exchange Act and shall include Persons who become Associates of any Person subsequent to the date hereof.

Benefit Plans: means any employee benefit plan within the meaning of Section 3(3) of ERISA and each other employee benefit plan providing for health savings accounts, and each bonus, employment, incentive or deferred compensation, severance, termination, retention, change in/of control, tuition reimbursement, adoption reimbursement, stock option, stock appreciation, stock purchase, phantom stock or other equity-based, performance or other employee or retiree benefit or compensation plan, program, arrangement, agreement, policy or understanding, whether written or unwritten, or required to be established for employees under Applicable Laws, that provides or may provide benefits or compensation in respect of any current or former employee, director or other service provider of any Group Company or under which any current or former employee, director or other service provider is or may become eligible to participate or derive a benefit.

Burdensome Condition: means any condition, requirement or arrangement applicable to the Standby Purchaser or any Group Company that would (i) be reasonably likely to materially change the manner in which any Group Company has conducted its business in the normal course, (ii) require any material capital contribution, (iii) require any maintenance agreement or keep well obligation that imposes any condition, restriction or obligation that is not required by Applicable Law, (iv) impose any dividend limitation other than those provided under Applicable Law; (v) require the material amendment of or modification of the terms of any material agreement between or among any of the Group Companies, or (vi) require any changes to the size, composition or voting rights of the board of directors of any Group Company, including but not limited to the respective consent and voting rights of the Standby Purchaser Designees or the Company Designees, or of the voting and consent rights of the Standby Purchaser.

Business Day: any day other than a Saturday, Sunday or a day on which banking institutions in Illinois are permitted or obligated by law to be closed for regular banking business.

Capital Needs Assessment: has the meaning set forth in Section 6.2.

Cause: means, with respect to a Company Designee or a member of the Advisory Board, as determined in good faith by a majority of the Standby Purchaser Designees, with respect to a Standby Purchaser Designee, as determined in good faith by a majority of the Company Designees, and with respect to the Chief Executive Officer, as determined in good faith by a majority of the HoldCo Board: (i) indictment by federal or state authorities in respect of any crime that involves theft, dishonesty or breach of trust; (ii) conviction of any felony; (iii) commission of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony; (iv) with respect to the Chief Executive Officer, deliberate and repeated refusal to perform the customary employment duties reasonably related to employee's position (other than as a result of vacation, sickness, illness or injury); (v) fraud or embezzlement of the property or assets of any Group Company; (vi) misconduct or malfeasance (intentional or reckless wrongdoing with or without malicious or tortious intent) that may have a material adverse effect on HoldCo; (vii) with respect to a director, the willful, intentional and material breach or the habitual and continued neglected by the director of his or her duties, or (viii) with respect to the Chief Executive Officer, a material breach or violation of any provision of his employment agreement.

Closing: has the meaning set forth in in Section 1.3(a).

Closing Date: shall mean the date on which the Closing actually takes place.

Code: The Internal Revenue Code of 1986, as amended, together with all regulations promulgated thereunder.

Common Stock: the common stock of HoldCo, par value \$0.001 per share.

Community Offering: the offering for sale by Holdco of shares of Common Stock to select investors as described in the Plan of Conversion.

Company Designees: has the meaning set forth in Section 1.4(c)(iii).

Confidentiality Agreement: has the meaning set forth in Section 6.1(b).

Constituent Documents: with respect to any entity, the Certificate or Articles of Incorporation and Bylaws of such entity, or any similar charter or other organizational documents of such entity.

Conversion: has the meaning set forth in the Recitals.

Converted Members Mutual: means Members Mutual following its conversion to stock form under the Plan of Conversion.

Department: the Illinois Department of Insurance.

Disclosure Schedule: means the disclosure schedule delivered to the Standby Purchaser by Members Mutual and HoldCo prior to the execution of this Agreement.

Disclosure Schedule Supplement: has the meaning set forth in Section 5.2.

Draft Registration Statement: means the draft of the Registration Statement dated March 26, 2019 that has been furnished to the SEC by Members Mutual on the date of this Agreement and identified as the Draft Registration Statement for purposes of this Agreement.

Effective Date: the date on which the Conversion becomes effective as provided in the Plan of Conversion.

Effective Date of Registration Statement: has the meaning set forth in Section 1.5(b).

“Eligible Employee” means any natural person who is a full or part-time employee of the Members Mutual or any of its subsidiaries who meets such eligibility requirements to participate in the Employee Bonus Program as Members Mutual may determine in its sole discretion.

Eligible Member: a Person who qualifies as an Eligible Member under the Plan of Conversion.

Eligible Member Approval: has the meaning set forth in the Recitals.

Employee Bonus Program: has the meaning set forth in the Recitals.

Encumbrance: any mortgage, pledge, deed of trust, hypothecation, lien, charge, security interest, right of first refusal or option to purchase.

Equity Securities: shall include (i) any Common Stock, (ii) any security convertible into or exercisable or exchangeable for, with or without consideration, shares of the Common Stock (including any option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any shares of the Common Stock, and (iv) any such warrant or right.

ERISA: has the meaning set forth in Section 3.14(b).

Escrow Agent: has the meaning set forth in Section 1.3(b).

Escrow Fund: has the meaning set forth in Section 1.3(b).

Excess Capital: has the meaning set forth in Section 6.2.

Exchange Act: the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC thereunder.

Expenses: has the meaning set forth in Section 9.11.

Expense Reimbursement: has the meaning set forth in Section 8.6.

Fidelity Life: has the meaning set forth in the Preamble.

Final Standby Ownership Percentage: has the meaning set forth in Section 1.1(b).

Financial Statements: has the meaning set forth in Section 3.5(b).

Fund IV: has the meaning set forth in the Recitals.

Fundamental Representations: means the representations and warranties made by Members Mutual in Section 3.2 (Capitalization), Section 3.3 (Authority Relative to this Agreement), and Section 3.11 (Brokers) and the representations and warranties made by HoldCo in Section 4.2 (Capitalization), Section 4.3 (Authority Relative to this Agreement) and Section 4.8 (Brokers).

Government Entity: any court or tribunal or administrative, governmental or regulatory body, agency, commission, board, legislature, instrumentality, division, department, public body, court or other authority, including without limitation the rules of the Nasdaq Stock Market.

Governmental Approvals: has the meaning set forth in Section 2.3(a).

Group Company: shall mean each of HoldCo, Members Mutual, Vericity Holding, Inc., Fidelity Life and Efinancial, LLC (“Efinancial”), and the term “Group” shall mean such entities collectively.

Guaranty: has the meaning set forth in the Recitals.

HSR Approval: shall mean the expiration or termination of the waiting period applicable to the consummation of the transactions contemplated hereunder pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

HoldCo: has the meaning set forth in the Preamble.

HoldCo Board: has the meaning set forth in Section 1.4(b).

Illinois Approvals: means the approval by the Director of the Department of the Plan of Conversion, the Members Mutual Restated Articles and the Standby Purchaser Form A.

Illinois Insurance Code: shall mean Section 59.1 of the Illinois Insurance Code.

Initial Standby Ownership Percentage: has the meaning set forth in Section 1.1(b).

Intellectual Property: means all worldwide rights, title and interests associated with or arising out of any intellectual property, including: (i) all domestic and foreign patents and patent applications, together with all reissuances, divisionals, continuations, continuations-in-part, revisions, renewals, extensions, and re-examinations thereof (collectively “**Patents**”); (ii) all trademarks, service marks, logos, trade names, brand names, trade dress, trade styles, and other identifiers indicating the business or source of goods or services, and other indicia of commercial source or origin (whether registered, arising under common law or statutory law, or otherwise) and general intangibles of a like nature, and all registrations and applications to register, and renewals of, the foregoing anywhere in the world, and all goodwill associated with any of the foregoing (collectively, “**Marks**”); (iii) all trade secret rights and corresponding rights in Confidential Information and other non-public proprietary information (whether or not patentable), including ideas, formulas, compositions, inventor’s notes, discoveries and improvements, know-how, manufacturing and production processes and techniques, testing information, research and development information, inventions, invention disclosures, unpatented blueprints, drawings, specifications, designs, plans, proposals and technical data, business and marketing plans, market surveys, market know-how and customer lists and information (collectively, “**Trade Secrets**”); (iv) all copyrights and copyrightable works, and all database and design rights, whether or not registered or published, including all data collections, “moral” rights, mask works, copyright registrations and applications therefor and corresponding rights in works of authorship (collectively, “**Copyrights**”); (v) all Internet domain names, electronic addresses, uniform resource locators and alphanumeric designations associated therewith and all registrations for any of the foregoing, and all social media accounts (collectively, “**Domain Names**”); and (vi) all intellectual property rights arising from software and technology.

Investment Bankers: has the meaning set forth in Section 3.11.

Key Employees: means James E. Hohmann, James Harkensee, Chris Kim, John Buchanan, Chris Campbell, and Laura Zimmerman.

Knowledge of Members Mutual: the actual knowledge of the executive officers of Members Mutual as to any fact or matter.

Mandatory Standby Shares: has the meaning set forth in Section 1.1(a).

Material Adverse Effect: any fact, circumstance, occurrence, effect, change or event (any such item, an “Effect”) that has had, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the financial condition, or on the earnings, operations, assets or business of HoldCo, Members Mutual and their respective Subsidiaries taken as a whole; provided, however, that solely for the purposes determining whether a Material Adverse Effect has occurred, there shall be excluded any Effect to the extent resulting from or relating to (i) actions or omissions of HoldCo or Members Mutual expressly required or contemplated by the terms of this Agreement, (ii) changes after the date hereof in general economic conditions in the United States, including financial market volatility or downturn, (iii) changes after the date hereof affecting generally the industries or markets in which Members Mutual or any of its Subsidiaries operates, (iv) acts of war, sabotage or terrorism, military actions or the escalation thereof, or outbreak of hostilities, (v) any changes after the date hereof in applicable laws or accounting rules or principles, including changes in U.S. GAAP or Statutory Accounting Practices, (vi) any failure by Members Mutual or any of its Subsidiaries to meet any internal projections or forecasts (but not the underlying causes of such failure), (vii) any matter disclosed in the Draft Registration Statement (excluding any disclosures set forth in any risk factor section or in any section relating to forward-looking, safe harbor or general statements to the extent they are general, nonspecific, cautionary or forward-looking in nature), or (viii) the announcement or pendency of the transactions contemplated by this Agreement; provided further, however, that any circumstance, event, change, development or effect referred to in clauses (ii), (iii), (iv) and (v) shall be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such circumstance, event, change, development or effect has a disproportionate effect on Members Mutual or any of its Subsidiaries compared to other participants in the industries or markets in which Members Mutual or any of its Subsidiaries operates.

Material Amendment: means an amendment that amends or seeks to amend the Restated Articles or Restated Bylaws in any manner that would (i) except with respect to the creation and/or issuance of one or more series of preferred stock of HoldCo, adversely affect the voting or other rights, interests or economic value of the Common Stock held by any HoldCo stockholder, (ii) affect the voting or other rights, interests or economic value of the Common Stock held by any HoldCo stockholder disproportionately as compared to the Standby Purchaser, (iii) seek to effect a reverse stock split, recapitalization, reclassification of the Common Stock of HoldCo, (iv) amend Article IV of the Restated Articles (except with respect to the creation and/or issuance of one or more series of preferred stock of HoldCo), Article V or Article X of the Restated Articles, (v) amend Article VIII of the Restated Articles in any manner that would adversely affect the rights of the Company Designees thereunder; or (vi) amend Article III, Article IV, Section 5.2, or Section 7.12 of the Restated Bylaws.

Material Contract: has the meaning set forth in Section 3.17.

Member Notices: has the meaning set forth in Section 2.4.

Members Mutual: has the meaning set forth in the Preamble.

Members Mutual Board: has the meaning set forth in the Recitals.

Members Mutual Restated Articles: has the meaning set forth in Section 1.5(b).

New Director Resolution: has the meaning set forth in Section 1.4(d).

Offering Maximum: has the meaning set forth in the Recitals.

Offering Minimum: has the meaning set forth in the Recitals.

Offering Participant: any Person who is eligible to purchase shares of Common Stock in the Subscription Offering pursuant to the Plan of Conversion.

Offerings: has the meaning set forth in the Recitals.

Optional Standby Shares: has the meaning set forth in Section 1.1(b).

Outside Date: has the meaning set forth in Section 8.2(b).

Owned Intellectual Property: means all Intellectual Property that is owned or purported to be owned by Members Mutual or any Group Company.

Person: any natural person, firm, partnership, association, corporation, company, trust, business trust, Government Entity, limited liability company or other entity.

Personal Information: means, in addition to any definition for any similar term (e.g., “personally identifiable information” or “PII”) provided by applicable Law, or by Members Mutual or any Group Company in any of their privacy policies or notices, contracts or other public-facing statements, all information, in any form, regarding or capable of being associated with or identifying an individual person or device. Personal Information may relate to any individual, including a current, prospective, or former customer or employee of any Person, and includes information in any form or media, whether paper, electronic, or otherwise.

Plan of Conversion: has the meaning set forth in the Recitals.

Post-Closing Protection Period: means the period starting on the Closing Date and ending on the earlier to occur of (a) the third anniversary of the Closing Date, and (b) the expiration date of the Standstill Period.

Privacy Laws: means any and all applicable Laws, legal requirements, and self-regulatory guidelines (including of any applicable foreign jurisdiction) relating to data privacy, data security, and Personal Information, and similar applicable consumer protection laws, with respect to the receipt, collection, compilation, use, storage, processing, sharing, safeguarding, security, disposal, destruction, disclosure or transfer (including cross-border) of Personal Information, including the General Data Protection Regulation, the California Online Privacy Protection Act, the Communications Decency Act, the Payment Card Industry Data Security Standard, the CAN-SPAM Act, and any and all applicable Laws governing breach notification in connection with Personal Information.

Prospectus: has the meaning set forth in Section 1.5(a).

Proxy Statement: has the meaning set forth in Section 1.5(b).

Purchase Price: has the meaning set forth in Section 1.3(c).

Reinsurance Agreement: means that certain Reinsurance Agreement, effective July 1, 2013, between Fidelity Life Association and Hannover Life Reassurance Company of America, and that certain Amended and Restated Reinsurance Agreement effective July 1, 2016 between Fidelity Life Association and Hannover Life Reassurance Company of America.

Registration Statement: has the meaning set forth in Recitals.

Related Documents: shall mean the Guaranty.

Restated Articles: has the meaning set forth in Section 1.4(a).

Restated Bylaws: has the meaning set forth in Section 1.4(b).

Sale of the Company: means any merger, consolidation, business combination, tender offer or exchange offer, pursuant to which all the issued and outstanding capital stock of HoldCo is sold in a single transaction in which all stockholders of HoldCo are offered the same consideration (other than any equity rollover required to be made by the Standby Purchaser or any of its Affiliates or Associates not to exceed 10% of the total outstanding capital stock of HoldCo owned by the Standby Purchaser or any of its Affiliates or Associates).

Securities Act: the Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

Special Meeting: has the meaning set forth in the Recitals.

Standby Offering: has the meaning set forth in the Recitals.

Standby Purchaser: has the meaning set forth in the Preamble.

Standby Purchaser Designee: has the meaning set forth in Section 1.4(c)(ii).

Standby Purchaser Form A: means the statement regarding the acquisition of control of a domestic insurer that Standby Purchaser shall file with the Director of the Department in connection with the potential acquisition of control of Fidelity Life upon consummation of the Standby Offering.

Standby Shares: has the meaning set forth in Section 1.1(b).

Standstill Period: shall mean the period starting on the Closing Date and ending on the closing date of a Sale of the Company to a Third Party Purchaser.

Statutory Accounting Practices: has the meaning set forth in Section 3.6.

Statutory Financial Statements: has the meaning set forth in Section 3.6.

Subsidiary: with respect to any Person, any entity, whether a corporation, limited liability company, partnership or otherwise, of which such Person controls at least a majority of the voting power.

Subscription Price: has the meaning set forth in the Recitals.

Subscription Offering: the offering of shares of Common Stock to Eligible Members and other Offering Participants as described in the Plan of Conversion.

Tax or Taxes: means all United States national, federal, state and local, and all foreign, income, profits, franchise, gross receipts, payroll, transfer, sales, employment, use, property, excise, value added, ad valorem, license, severance, occupation, premium, windfall profits, capital stock, social security, unemployment, disability, registration, estimated, stamp, alternative or add-on minimum, recapture, environmental, withholding and any other taxes imposed by any Taxing Authority, together with all interest, penalties and additions (whether disputed or not) imposed on or with respect to such amounts.

Tax Return: means a declaration, statement, report, return, request for refund or other document or information required to be filed or supplied to a Taxing Authority with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities, and including any amendment thereof.

Taxing Authority: means any Government Entity having jurisdiction over the assessment, determination, collection, or imposition of any Tax.

Third Party Purchaser: means any Person who is not the Standby Purchaser, nor an Affiliate or Associate of the Standby Purchaser nor any Person acting at their direction or on their behalf.

Transaction Expenses: all out-of-pocket expenses (including, all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto) incurred by such party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated hereby.

Transfer: has the meaning set forth in Section 6.7(j).

U.S. GAAP: the United States generally accepted accounting principles.

Vote its Shares: means, with respect to the Standby Purchaser, to vote or cause to be voted any shares of Common Stock beneficially owned by the Standby Purchaser or its Affiliates or Associates at any annual or special meeting of HoldCo stockholders.

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written.

APEX HOLDCO L.P.

By: Apex Holdco GP LLC, its general partner

By: /s/ Sally Rocker
Name: Sally Rocker
Title: Secretary

VERICITY, INC.

By: /s/ James E. Hohmann
Name: James E. Hohmann
Title: President & Chief Executive Officer

MEMBERS MUTUAL HOLDING COMPANY

By: /s/ James E. Hohmann
Name: James E. Hohmann
Title: President & Chief Executive Officer

Solely for the purposes of Section 1.4(e)(iii):

FIDELITY LIFE ASSOCIATION:

By: /s/ James E. Hohmann
Name: James E. Hohmann
Title: Chief Executive Officer

Signature Page to Amended and Restated Standby Purchase Agreement

Items of New Director Resolution

1. Initial HoldCo Board Size
2. Initial HoldCo Board Composition:
 - a. Initial Standby Purchaser Designees
 - b. Initial Company Designees
3. Initial Chairman of HoldCo Board (to be one of the Standby Purchaser Designees)
4. Initial Committee Compositions
5. Initial Subsidiary Board Compositions
6. Advisory Board Members

Schedule 1.4(d)

Exhibit A

Plan of Conversion

See Exhibit 2.1 to the Registration Statement of which this exhibit is a part.

Exhibit A - 1

Exhibit B

Amended and Restated Articles of Incorporation of HoldCo

See Exhibit 3.2 to the Registration Statement of which this exhibit is a part.

Exhibit B - 1

Exhibit C

Amended and Restated Bylaws of HoldCo

See Exhibit 3.4 to the Registration Statement of which this exhibit is a part.

Exhibit C - 1

Exhibit D

Guaranty

See Exhibit 10.14 to the Registration Statement of which this exhibit is a part.

Exhibit D - 1

AMENDED AND RESTATED GUARANTY

This Amended and Restated Guaranty, dated as of March 26, 2019 (this “**Guaranty**”), is made by J.C. Flowers IV L.P., a Cayman Islands exempted limited partnership (the “**Guarantor**”) in favor of Members Mutual Holding Company, an Illinois mutual insurance holding company (“**Members Mutual**”) and Vericity, Inc., a Delaware corporation (“**HoldCo**”). This Guaranty amends and restates in its entirety that certain guaranty dated as of October 5, 2018 by Guarantor, Members Mutual and Holdco. Reference is hereby made to the Amended and Restated Standby Stock Purchase Agreement, dated as of the date hereof (the “**Agreement**”), by and among Apex Holdco L.P., a Delaware limited partnership (the “**Standby Purchaser**”), HoldCo and Members Mutual. Capitalized terms used but not defined herein have the meanings ascribed to them in the Agreement, *provided*, that for purposes of this Guaranty the words “the parties hereto” in the definition of Applicable Law mean the parties to this Guaranty.

1. Limited Guaranty. To induce Members Mutual and HoldCo (each, a “**Guaranteed Party**,” and together the “**Guaranteed Parties**”) to enter into the Agreement, upon the terms and subject to the conditions set forth therein, the Guarantor hereby absolutely, unconditionally and irrevocably guarantees as a primary obligor and not merely as a surety to the Guaranteed Parties, on the terms and conditions set forth herein, the due and punctual payment, observance, performance and discharge of, if and when due, all of the payment obligations (including any payment due for damages) of the Standby Purchaser under the Agreement in accordance with the terms thereof (as such payment obligations may be modified, amended, waived or terminated in accordance with the terms of the Agreement, collectively, the “**Guaranteed Obligations**”). Notwithstanding anything to the contrary herein and for the avoidance of doubt, in no event shall the Guarantor’s maximum aggregate liability under this Guaranty exceed (i) upon execution of the Agreement, \$148,750,000 and (ii) once the number of Mandatory Standby Shares has been determined in accordance with Section 1.1 of the Agreement, the Purchase Price (such amount, the “**Cap**”), it being understood that this Guaranty may not be enforced without giving effect to the Cap. Any payments due hereunder shall be made in lawful money of the United States, in immediately available funds. The Guaranteed Parties hereby agree that in no event shall the Guarantor be required to pay any amount to the Guaranteed Parties or any other Person under, in respect of, or in connection with this Guaranty other than as expressly set forth in this Guaranty.

2. Nature of Guaranty. Members Mutual and HoldCo shall not be obligated to file any claim relating to the Guaranteed Obligations in the event that the Standby Purchaser becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of Members Mutual or HoldCo to so file shall not affect the Guarantor’s obligations hereunder. In the event that any payment to Members Mutual or HoldCo in respect of the Guaranteed Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to the Guaranteed Obligations as if such payment had not been made, subject to the terms hereof, until the Guaranteed Obligations are terminated or satisfied in full in accordance

with the terms of this Guaranty. This Guaranty is an unconditional guarantee of payment when due and not of collection.

3. Changes in Obligations.

(a) The Guarantor agrees that Members Mutual and HoldCo may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of the Guaranteed Obligations, and may also make any agreement with the Standby Purchaser for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, without in any way impairing or affecting the Guarantor's obligations under this Guaranty.

(b) The Guarantor agrees that the Guaranteed Obligations hereunder (which shall be subject to the Cap) shall not be released or discharged, in whole or in part, or otherwise affected by: (i) the failure or delay of Members Mutual, HoldCo or Fidelity Life, subject to Section 8, to assert any claim or demand or to enforce any right or remedy against the Standby Purchaser; (ii) any change in the time, place or manner of payment of the Guaranteed Obligations, so long as such changes do not have the effect of increasing the Cap; (iii) the addition, substitution or release of any Person now or hereafter liable with respect to the Guaranteed Obligations, to or from this Guaranty, the Agreement, or any agreement referred to therein; (iv) any change in the corporate existence, structure or ownership of the Standby Purchaser or any other Person now or hereafter liable with respect to the Guaranteed Obligations or any Person interested in the transactions contemplated by the Agreement; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Standby Purchaser or any other Person now or hereafter liable with respect to the Guaranteed Obligations or any Person interested in the transactions contemplated by the Agreement; (vi) the existence of any claim, set-off or other right which the Guarantor may have at any time against the Standby Purchaser or Members Mutual or HoldCo, whether in connection with the Guaranteed Obligations or otherwise; or (vii) the adequacy of any other means Members Mutual or HoldCo may have of obtaining payment of the Guaranteed Obligations.

4. Certain Waivers.

(a) To the fullest extent permitted by Applicable Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Applicable Law that would otherwise require any election of remedies by Members Mutual or HoldCo. The Guarantor waives promptness, diligence, notice of the acceptance of this Guaranty and of the Guaranteed Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any of the Guaranteed Obligations, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Standby Purchaser or any other Person interested in the transactions contemplated by the Agreement, and all suretyship defenses generally (other than defenses to the payment of the Guaranteed Obligations that are available to the Standby Purchaser under the Agreement or a material breach by a Guaranteed Party or its Affiliates of the last sentence of Section 8 of this Guaranty). For the avoidance of doubt,

the parties agree that nothing contained in this Guaranty is intended to modify or supersede the notice provisions of the Agreement.

(b) To the fullest extent permitted by Applicable Law, the Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Standby Purchaser or any other Person interested in the transactions contemplated by the Agreement that arise from the existence, payment, performance, or enforcement of the Guarantor's obligations under or in respect of this Guaranty or any other agreement in connection herewith, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of Members Mutual or HoldCo against the Standby Purchaser or such other Person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Standby Purchaser or such other Person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until the Guaranteed Obligations shall have been satisfied in full. If any amount is paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the payment in full in immediately available funds of the Guaranteed Obligations under this Guaranty, such amount shall be received and held in trust for the benefit of Members Mutual and HoldCo, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to Members Mutual or HoldCo in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations, in accordance with the terms of the Agreement. Notwithstanding anything to the contrary contained in this Guaranty, Members Mutual and HoldCo hereby agree that (i) the Guarantor may assert, as a defense to, or release or discharge of, any payment by the Guarantor under this Guaranty, any claim, set-off, deduction, defense or release that the Standby Purchaser could assert against any Guaranteed Party under the terms of the Agreement (including, without limitation, any such claim or defense if available that any of the Guaranteed Obligations (up to the Cap) is not then required to be due and payable by the Standby Purchaser pursuant to the terms and conditions of the Agreement and (ii) to the extent the Standby Purchaser is relieved of any of its obligations under the Agreement, the Guarantor shall similarly automatically and without further action on the part of any Person be relieved of its corresponding Guaranteed Obligations under this Guaranty in respect of such relieved obligations.

(c) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the transactions contemplated by the Agreement and that the waivers set forth in this Guaranty are knowingly made in contemplation of such benefits.

5. No Waiver; Cumulative Rights. No failure on the part of Members Mutual or HoldCo to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Members Mutual or HoldCo of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to Members Mutual or HoldCo or allowed it by Applicable Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Members Mutual or HoldCo at any time or from time to

time. Neither Members Mutual nor HoldCo shall have any obligation to proceed at any time or in any manner against, or exhaust any or all of its rights against, the Standby Purchaser prior to proceeding against the Guarantor hereunder. The failure by Members Mutual or HoldCo to pursue rights or remedies against the Standby Purchaser or any other Person shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of Applicable Law, of Members Mutual or HoldCo.

6. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) the Guarantor is a duly organized and validly existing limited partnership in good standing under the laws of the jurisdiction of its organization and has the partnership, corporate or other organizational power and authority to execute, deliver and perform the terms and conditions of this Guaranty;

(b) the execution, delivery and performance of this Guaranty have been duly authorized by all necessary exempted limited partnership action and do not (i) contravene any provision of the Guarantor's charter, partnership agreement, operating agreement or similar organizational documents or, in any material respect, any Applicable Law binding on the Guarantor or any of its property or assets or (ii) in any material respect conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, credit agreement, or any other material agreement, contract or instrument to which the Guarantor is a party or by which it or any of its property or assets is bound or to which it may be subject;

(c) all consents, approvals, authorizations, permits of, filings with and notifications to, any Governmental Entity necessary for the due execution, delivery and performance of this Guaranty by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any Governmental Entity is required in connection with the execution, delivery or performance of this Guaranty;

(d) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar Applicable Law relating to or affecting creditors' rights or general equity principles (regardless of whether considered at law or in equity); and

(e) the Guarantor has the financial capacity to pay and perform its Guaranteed Obligations under this Guaranty, and all funds necessary for the Guarantor to fulfill such obligations (up to the Cap) under this Guaranty shall be available to the Guarantor (or its permitted assignee pursuant to Section 7 hereof) for so long as this Guaranty shall remain in effect in accordance with Section 8 hereof.

7. Successors and Assigns. Neither this Guaranty nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto, in whole or in part (except

by operation of law), without the prior written consent of the other parties; provided, that the Guarantor may assign its obligations, in whole or in part (including the Guaranteed Obligations), under this Guaranty to one or more of its Affiliates without the prior written consent of the Guaranteed Parties; provided, further, that such Affiliate(s) must agree to be bound to the terms of this Guaranty to the same extent as the Guarantor with respect to such assignment obligations; provided, further, that such assignment shall not release the Guarantor from its obligations under the Guaranty without the prior written consent of the Guaranteed Parties, which consent shall not be unreasonably withheld if Members Mutual reasonably determines in good faith that (i) the proposed assignee is an Affiliate fund or investment vehicle managed by J.C. Flowers & Co. LLC or an Affiliate thereof that has the financial capacity to pay and perform such assigned Guaranteed Obligations under this Guaranty, and all funds necessary for such proposed assignee to fulfill such obligations (up to the Cap) under this Guaranty shall be available to such proposed assignee for so long as this Guaranty shall remain in effect in accordance with Section 8 hereof, (ii) such assignment will not adversely affect the timing or receipt of any regulatory approvals required in order to consummate the transactions contemplated by the Agreement, and (iii) such assignment will not otherwise adversely affect the timing or ability of the parties to consummate the transactions contemplated by the Agreement. Any purported assignment in violation of this Section 7 shall be null and void. Subject to the foregoing and unless terminated pursuant to Section 8, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

8. Continuing Guaranty; Termination. Unless terminated pursuant to this Section 8, this Guaranty may not be revoked or terminated and shall remain in full force and effect and binding on the Guarantor, its successors and permitted assigns until the complete, irrevocable and indefeasible payment and satisfaction in full of the Guaranteed Obligations (up to the Cap), at which time this Guaranty shall immediately and automatically terminate and the Guarantor shall have no further obligations hereunder. Notwithstanding the foregoing, this Guaranty shall terminate automatically and the Guarantor shall have no further obligations under this Guaranty immediately upon the earliest to occur of (i) the consummation of the transactions contemplated by the Agreement in accordance with its terms at the Closing, or (ii) the date that is sixty (60) days after the termination of the Agreement ("Termination Date") in accordance with its terms in any circumstances pursuant to which the Standby Purchaser would be obligated to make a payment in respect of the Guaranteed Obligations, if neither Members Mutual nor HoldCo has presented a claim for payment of any Guaranteed Obligations to the Standby Purchaser or the Guarantor prior to the Termination Date (any such claim presented prior to the Termination Date, a "Qualifying Claim"); provided, that if Members Mutual or HoldCo has made a Qualifying Claim, then this Guaranty shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the earliest to occur of (upon the occurrence of which the Guarantor shall have no further liability or obligation under this Guaranty): (w) the consummation of the transactions contemplated by the Agreement in accordance with its terms at the Closing, (x) the final, non-appealable resolution of all Qualifying Claims determining that either the Standby Purchaser does not owe any amount of the Guaranteed Obligations or that the Guarantor does not owe any amount of the Guaranteed Obligations pursuant to the terms hereof, (y) a written agreement between the Guarantor and the Guaranteed Parties terminating the Guaranteed Obligations, and (z) satisfaction in full of the Guaranteed Obligations by the Guarantor or the Standby Purchaser. Notwithstanding the foregoing, in the event that the Guaranteed Parties or any of its Affiliates assert in, file or otherwise commence, directly or

indirectly, any litigation or proceeding asserting (A) that the provisions of Section 1 limiting the Guarantor's aggregate liability to the Guaranteed Obligations (which shall be subject to the Cap) or the provisions of this Section 8 or Section 9 are illegal, invalid or unenforceable in whole or in part or (B) a claim or theory of liability under, or action against, any Related Party (as defined below) in connection with this Guaranty or the Agreement or any transaction contemplated hereby or thereby or otherwise relating hereto or thereto, in each case, other than any Retained Claim (as defined below), then (1) the obligations of the Guarantor under this Guaranty shall terminate ab initio and be null and void, (2) if the Guarantor has previously made any payments under this Guaranty, it shall be entitled to recover such payments, and (3) neither the Guarantor nor any Related Party shall have any liability to the Guaranteed Parties or any of their Affiliates under this Guaranty.

9. No Recourse.

(a) Members Mutual and HoldCo acknowledge the separate corporate existence of the Standby Purchaser and that, as of the date hereof, the sole assets (if any) of the Standby Purchaser are cash in a de minimis amount and its rights under the Agreement, and that no additional funds are expected to be contributed to the Standby Purchaser unless and until the Standby Purchaser is required to pay any amount under the Agreement.

(b) Notwithstanding anything that may be expressed or implied in this Guaranty or any document or instrument delivered contemporaneously herewith, and notwithstanding the fact that the Guarantor may be a partnership or limited liability company, by its acceptance of the benefits of this Guaranty, each of Members Mutual and HoldCo acknowledges and agrees, on behalf of itself, its Affiliates and any Person claiming by, through or on behalf of any of them, that (i) no Person other than the Guarantor has any obligations hereunder and (ii) no remedy, recourse or right of recovery shall be had against, and no personal liability shall attach to, be imposed on or otherwise be incurred by, any former, current or future director, officer, employee, agent, attorney, direct or indirect equityholder, controlling person, general or limited partner, manager, member, stockholder, Affiliate, successor or assign of any of the Guarantor, or any former, current or future director, officer, employee, agent, attorney, direct or indirect equityholder, controlling person, general or limited partner, manager, member, stockholder, Affiliate, successor or assign of any of the foregoing (other than the Guarantor, each, a **"Related Party"** and collectively, the **"Related Parties"**) of the Guarantor, through the Standby Purchaser or otherwise, whether by or through attempted piercing of the corporate (or limited liability company or limited partnership) veil, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any Applicable Law or otherwise, by or on behalf of the Standby Purchaser against any Related Party, except for (w) claims by Members Mutual or HoldCo against the Guarantor (but not any Related Party) under and to the extent provided in this Guaranty (subject to the limitations herein) (**"Retained Guaranty Claims"**), (x) claims by Members Mutual or HoldCo against the Standby Purchaser under and in accordance with the Agreement, including, without limitation, claims for specific performance pursuant to Section 9.10 thereunder (**"Retained Agreement Claims"**), and (y) claims by the Guaranteed Parties in respect of the Confidentiality Agreement solely with respect to the parties thereto (**"Retained**

Confidentiality Claims”, and together with Retained Guaranty Claims and Retained Agreement Claims, the “**Retained Claims**”).

(c) Notwithstanding the foregoing, in the event the Guarantor consolidates with or merges with any other Person and is not the continuing or surviving entity of such consolidation or merger, then Members Mutual or HoldCo may seek recourse, whether by the enforcement of any judgment or assessment or by any legal or equitable proceeding or by virtue of any Applicable Law, against such continuing or surviving entity or such Person (in either case, a “**Successor Entity**”). As used herein, unless otherwise specified, the term “Guarantor” includes the Guarantor’s Successor Entity.

(d) Recourse (i) against the Guarantor with respect to the Retained Guaranty Claims, (ii) against the Standby Purchaser with respect to Retained Agreement Claims, and (iii) the parties to the Confidentiality Agreement with respect to the Retained Confidentiality Claims shall be the sole and exclusive remedy of Members Mutual and HoldCo and all of their subsidiaries and Affiliates against the Guarantor, in respect of any liabilities or obligations arising under, or in connection with, the Agreement, this Guaranty or the transactions contemplated thereby or hereby.

10. Notices. All notices, claims, demands and other communications hereunder shall be in writing and shall be deemed given (a) after confirmation of receipt of a facsimile transmission to the number set out below, (b) one Business Day after delivered to a nationally recognized commercial delivery service promising next business day delivery and requiring receipt for delivery (such as Federal Express), (c) when delivered by hand or (d) three Business Days after the day when sent by United States mail, registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

- (a) **If to HoldCo or Members Mutual, to:**
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
Tel: (800) 369-3990
Fax: 312-288-0073
Attn: John Buchanan, Esq. (General Counsel)

With a copy to:

Locke Lord LLP
111 S. Wacker Drive
Chicago, Illinois 60606
Tel: (312) 443-0700
Fax: (312) 443-0336
Attn: J. Brett Pritchard, Esq.
Charles Wu, Esq.

- (b) **If to the Guarantor, to:**
J.C. Flowers IV L.P. 767 Fifth Avenue, 23rd Floor
New York, NY 10153
Tel: (212) 404-6810
Fax: (212) 404-6898
Attn: Eric Rahe

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153-0119
Tel: (212) 310-8751
Fax: (212) 310-8007
Attn: Douglas P. Warner, Esq.

11. Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Applicable Laws of any jurisdiction other than the State of Delaware.

12. Submission to Jurisdiction; Venue. By execution and delivery of this Guaranty, each of the parties hereto accepts and consents to the exclusive jurisdiction of the courts of the State of Delaware sitting in New Castle County in the State of Delaware and the federal courts within the State of Delaware, for itself and in respect of its property, and waives in respect of both

itself and its property any defense it may have as to or based on sovereign immunity, jurisdiction, improper venue or inconvenient forum. Each of the parties hereto irrevocably consents to the service of any process or other papers by the use of any of the methods and to the addresses set for the giving of notices pursuant to this Guaranty. Nothing herein shall affect the right of any party hereto to serve such process or papers in any other manner permitted by law.

13. Waiver of Jury Trial. Each of the parties hereto acknowledges and agrees that any controversy that may arise under this Guaranty 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 legal action arising out of or relating to this Guaranty or the transactions contemplated hereby.

14. Confidentiality. This Guaranty shall be treated as confidential and is being provided to the Guaranteed Parties solely in connection with the transactions contemplated by the Agreement. This Guaranty may not be used, circulated, quoted or otherwise referred to in any document, except with the written consent of the Guarantor and Members Mutual. The foregoing notwithstanding, this Guaranty shall be provided to Members Mutual and HoldCo and Members Mutual, HoldCo or the Guarantor may disclose the existence of this Guaranty to (a) its Related Parties (provided that each such Person shall be directed to treat this Guaranty as confidential and comply with the confidentiality obligations in this Section 14) and (b) to the extent required by Applicable Law, the applicable rules of any national securities exchange or in connection with any regulatory agency filings relating to the transactions contemplated by the Agreement.

15. Entire Agreement. This Guaranty constitutes the sole and entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous negotiations, proposals, undertakings, understandings, agreements, representations and warranties, both written and oral, among the Guarantor or any of its Affiliates (other than Members Mutual and HoldCo), on the one hand, and Members Mutual, HoldCo or any of their Affiliates (other than the Guarantor), on the other hand, with respect to such subject matter.

16. Amendments and Waivers. No amendment or waiver of any provision of this Guaranty will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor, Members Mutual and HoldCo, or in the case of a waiver, by the party against which the waiver is to be effective. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver.

17. No Third-party Beneficiaries. Except for the provisions of this Guaranty that reference Related Parties (each of which shall be for the benefit of and enforceable by each Related Party), the parties hereto hereby agree that this Guaranty and any representations, warranties and covenants as set forth herein are binding upon and solely for the benefit of the parties hereto, in accordance with and subject to the terms of this Guaranty, and this Guaranty is not intended to, and does not, confer upon any Person other than the parties hereto and any Related Party any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

18. No Presumption Against Drafting Party. The parties hereto acknowledge that each party and its counsel have reviewed this Guaranty and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Guaranty.

19. Severability. Any term or provision of this Guaranty found to be invalid, illegal or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective solely to the extent of such prohibition or unenforceability and shall not affect any other term or provision of this Guaranty or invalidate or render unenforceable such term or provision in any other jurisdiction; provided, however, that this Guaranty may not be enforced without giving effect to the Cap.

20. Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the interpretation of this Guaranty.

21. Counterparts. This Guaranty may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Guaranty delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Guaranty.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date first written above.

J.C. FLOWERS IV L.P.

By: JCF Associates IV L.P., its general partner

By: JCF Associates IV Ltd., its general partner

By /s/ Sally Rocker

Name: Sally Rocker

Title: Managing Director

Signature Page to Amended and Restated Guaranty

Agreed to and Accepted by:

VERICITY, INC.

By /s/ James E. Hohmann

Name: James E. Hohmann

Title: President & Chief Executive Officer

MEMBERS MUTUAL HOLDING COMPANY

By /s/ Chris Kim

Name: Chris Kim

Title: Chief Financial Officer

Signature Page to Amended and Restated Guaranty

ESCROW AGREEMENT

This ESCROW AGREEMENT (as the same may be amended or modified from time to time pursuant hereto, this “Agreement”) is made and entered into as of December __, 2018, by and among Raymond James & Associates, Inc., a Florida corporation (the “Placement Agent”), Vericity, Inc., a Delaware corporation (the “Company”), and together with the Placement Agent, sometimes referred to individually as “Party” or collectively as the “Parties”) and Computershare Trust Company, N.A. (the “Escrow Agent”).

WHEREAS, the Company will offer to sell shares of its common stock, par value \$0.001per share (the “Shares”), to certain persons in a public offering registered under the Securities Act of 1933, as amended, pursuant to a registration statement and prospectus filed with the United States Securities and Exchange Commission (the “Prospectus”); and

WHEREAS, the Company has engaged the Placement Agent to assist the Company in connection with the sale of Shares pursuant to the terms of that certain letter agreement, dated as of April 18, 2016, as amended as of June 6, 2018 (the “Engagement Letter”), by and between the Company and the Placement Agent; and

WHEREAS, potential purchasers of the Shares (the “Investors”) will submit subscriptions and orders to purchase Shares together with payment of the purchase price for such Shares; and

WHEREAS, the Company must receive and accept subscriptions and orders for at least 14,875,000 Shares in order to complete the offering;

WHEREAS, the Parties desire to use an escrow agent to provide certain escrow functions in connection with such offer and sale; and

WHEREAS, the Parties wish to engage the Escrow Agent to act, and the Escrow Agent is willing to act, as escrow agent hereunder and, in that capacity, to hold, administer and distribute the amounts deposited in escrow hereunder in accordance with, and subject to, the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, intending to be legally bound, the parties hereto agree as follows:

- 1. Appointment.** The Parties hereby appoint the Escrow Agent as their escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein.
- 2. Fund.** Pursuant to the Prospectus, the Investors are directed to submit orders and payment for Shares they wish to purchase to the Placement Agent. The Placement Agent shall accept checks and money orders from the Investors and deposit them with the Escrow Agent (collectively, the “Escrow Deposit”). The Escrow Agent shall hold the Escrow Deposit and, subject to the terms and conditions hereof, shall invest and reinvest the Escrow Deposit and the proceeds thereof (the “Fund”) as directed in Section 3.
- 3. Investment of Fund.** (a) The Escrow Agent offers the custody of funds placed, at the direction of the Company, in bank account deposits. The Escrow Agent will not provide any investment advice in connection with this service. During the term of this Agreement, the Fund shall be held in a bank account (the “Escrow Account”), and shall be deposited in one or more interest-bearing accounts to be maintained by the Escrow Agent in the name of the Escrow Agent at one or more of the banks listed in Schedule 4 to this Agreement, each of which shall be a commercial bank with capital exceeding \$500,000,000 (each such bank an “Approved Bank”). The deposit of the Escrow Deposit in any of the Approved Banks shall be deemed to be

at the direction of the Company. At any time and from time to time, the Company may direct Escrow Agent by written notice (i) to deposit the Escrow Deposit with a specific Approved Bank, (ii) not to deposit any new amounts in any Approved Bank specified in the notice and/or (iii) to withdraw all or any of the Escrow Deposit that may then be deposited with any Approved Bank specified in the notice. With respect to any withdrawal notice, the Escrow Agent will endeavor to withdraw such amount specified in the notice as soon as reasonably practicable and the Parties acknowledge and agree that such specified amount remains at the sole risk of the Parties prior to and after such withdrawal. Such withdrawn amounts shall be deposited with any other Approved Bank or any Approved Bank specified by the Company in the notice.

(b) Any interest accrued, paid or payable on the Escrow Deposit shall belong to the Company. The Escrow Agent represents that the initial Escrow Account is expected to accrue interest on the Fund at a rate equal to 50% of the then current 1 Month Treasury Bill rate. Such interest shall accrue to the Fund within three (3) Business Days of each month end. The Parties acknowledge that Escrow Agent may, as a result of investing the Fund with any Approved Bank, be entitled to certain benefits with such Approved Banks; provided, however, that any such benefits shall not affect the Fund.

(c) The amounts held in custody by the Escrow Agent pursuant to this Agreement are at the sole risk of the Parties and, without limiting the generality of the foregoing, the Escrow Agent shall have no responsibility or liability for any diminution of the Escrow Deposit which may result from any deposits made pursuant to this Agreement, including any losses resulting from a default by an Approved Bank or any other credit losses (whether or not resulting from such default) or other losses on any deposit required to be liquidated in order to make a payment required hereunder. The Parties acknowledge and agree that the Escrow Agent is acting prudently and at their direction when depositing the Escrow Deposit at any Approved Bank, and the Escrow Agent is not required to make any further inquiries in respect of any Approved Bank.

4. Claims and Payment; Release from Escrow

(a) As soon as the Escrow Agent receives joint written instructions substantially in the form of Schedule 1 as to the disbursement of the Fund (the “Joint Written Instructions”) signed by both an officer of the Company and an officer of the Placement Agent, the Escrow Agent shall transfer the Fund to the Company, the Placement Agent and any third party indicated in such notice, in the amounts specified by the Company and the Placement Agent in such Joint Written Instructions. Except as otherwise provided in this Agreement, the Escrow Agent shall rely conclusively on any Joint Written Instructions and shall have no responsibility to determine whether the information set forth therein, including the amount of the payment of the Fund, is accurate or correct.

(b) Rejection. If at any time prior to the release of an Investor’s subscription or order pursuant to the terms of this Agreement, the Company shall deliver to the Escrow Agent a written notice to the effect that any or all of the subscription or order of such Investor has been rejected (the “Rejected Subscription Amount”) by the Company, the Escrow Agent shall, promptly after receipt of such written notice, return to such Investor the amount of such Rejected Subscription Amount without any interest that may have accrued on such amount.

(c) Failure to Close. If at any time prior to the release of an Investor’s subscription pursuant to the terms of this Agreement, the Placement Agent and the Company shall deliver to the Escrow Agent a joint written notice stating that the closing conditions to the offering contemplated by this Agreement have not been satisfied, then the Escrow Agent shall, promptly after receipt of such written notice, return to each Investor indicated in such notice the amount of its subscription as specified in such notice without any interest that may have accrued on such amount.

(d) **Reporting.** The Escrow Agent shall provide the Placement Agent and the Company with an electronic statement on a daily basis showing the amount of funds received and posted, as well as any transfers made by the Escrow Agent. After receiving a check or money order from an Investor, the Escrow Agent shall deposit such funds into the Escrow Account as soon as the funds clear. The Placement Agent and the Company shall be entitled to inquire by telephone as to the balance of the Escrow Account from time to time.

(e) Notwithstanding anything to the contrary in this Agreement, if any amount to be released at any time or under any circumstances exceeds the balance in the Fund, the Escrow Agent shall release the balance in the Fund and shall have no liability or responsibility to the Parties for any deficiency.

(f) All Escrow Deposits received by the Escrow Agent are subject to clearance time, and the funds represented cannot be drawn until such time as the same constitutes good and collected funds.

(g) Upon delivery of any and all remaining balance in the Fund by the Escrow Agent, this Agreement shall terminate, subject to the provisions of Section 8.

5. Escrow Agent. (a) The Escrow Agent represents and warrants to the Parties that the Escrow Agent is a “bank” as defined in Paragraph (A) of Section 3(a)(6) of the Securities Exchange Act of 1934, as amended. The deposit accounts of each Approved Bank is insured by the FDIC to the maximum amount permitted by law.

(b) All funds received from Investors by the Company or the Placement Agent in payment for the Shares (“Investor Funds”) will be delivered to the Escrow Account by noon Eastern Time on the next business day following the day upon which such Investor Funds are accepted by the Company or the Placement Agent, and shall, upon receipt of good and collected funds by the Escrow Agent, be retained in the Escrow Account by the Escrow Agent and invested as provided in Section 3(a) hereof. During the term of this Escrow Agreement, the Company and the Placement Agent shall instruct Investors to make all checks payable to the order of “Computershare Trust Company, N.A. as Escrow Agent for Vericity, Inc.” and shall cause all checks received by each of them in payment for the Shares to be endorsed in favor of the Escrow Agent and delivered to the Escrow Agent for deposit in the Escrow Account.

(c) The Escrow Agent shall have only those duties as are specifically and expressly provided herein, which shall be deemed purely ministerial in nature, and no other duties shall be implied. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of, nor have any requirements to comply with, the terms and conditions of any other agreement, instrument or document between the Parties, in connection herewith, if any, nor shall the Escrow Agent be required to determine if any person or entity has complied with any such agreements, nor shall any additional obligations of the Escrow Agent be inferred from the terms of such agreements, even though reference thereto may be made in this Agreement. In the event of any conflict between the terms and provisions of this Agreement, any schedule or exhibit attached to this Agreement, or any other agreement among the Parties, the terms and conditions of this Agreement shall control. The Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, document, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper Party or Parties without inquiry and without requiring substantiating evidence of any kind. The Escrow Agent shall not be liable to any Party, any beneficiary or other person for refraining from acting upon any instruction setting forth, claiming, containing, objecting to, or related to the transfer or distribution of the Fund, or any portion thereof, unless such instruction shall have been delivered to the Escrow Agent in accordance with Section 11 below and the Escrow Agent has been able to satisfy any applicable security procedures as may be required hereunder and as set forth in Section 11. The Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document, notice, instruction or request.

The Escrow Agent shall have no duty to solicit any payments which may be due it or the Fund, including, without limitation, the Escrow Deposit nor shall the Escrow Agent have any duty or obligation to confirm or verify the accuracy or correctness of any amounts deposited with it hereunder.

(d) The Escrow Agent shall not be liable for any action taken, suffered or omitted to be taken by it except to the extent that a final adjudication of a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to either Party. The Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through affiliates or agents. The Escrow Agent may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Escrow Agent shall not be liable for any action taken, suffered or omitted to be taken by it in accordance with, or in reliance upon, the advice or opinion of any such counsel, accountants or other skilled persons. In the event that the Escrow Agent shall be uncertain or believe there is some ambiguity as to its duties or rights hereunder or shall receive instructions, claims or demands from any Party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be given a direction in writing by the Parties which eliminates such ambiguity or uncertainty to the satisfaction of Escrow Agent or by a final and non-appealable order or judgment of a court of competent jurisdiction. The Parties agree to pursue any redress or recourse in connection with any dispute without making the Escrow Agent a party to the same. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, incidental, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

6. Succession. (a) The Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving thirty (30) days advance notice in writing of such resignation to the Parties specifying a date when such resignation shall take effect. If the Parties have failed to appoint a successor escrow agent prior to the expiration of thirty (30) days following receipt of the notice of resignation, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon all of the Parties hereto. Escrow Agent's sole responsibility after such thirty (30) day notice period expires shall be to hold the Fund (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent's obligations hereunder shall cease and terminate, subject to the provisions of Section 8 hereunder.

(b) Any entity into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any entity to which all or substantially all the escrow business may be transferred, shall be the Escrow Agent under this Agreement without further act.

7. Compensation and Reimbursement. The Company agrees to (a) pay the Escrow Agent all reasonable compensation for the services to be rendered hereunder as described in Schedule 3 attached hereto, and (b) pay or reimburse the Escrow Agent upon request for all expenses, disbursements and advances, including, without limitation reasonable attorney's fees and expenses, incurred or made by it in connection with the entry into, performance, modification and termination of this Agreement. The Escrow Agent shall have no lien on, or right to deduct from, the Fund, or proceeds thereof, for any sums owed to it under this Agreement.

8. Indemnity. (a) Subject to Section 8(c) below, Escrow Agent shall be liable for any losses, damages, claims, liabilities, penalties, judgments, settlements, actions, suits, proceedings, litigations, investigations, costs or expenses (including without limitation, the fees and expenses of outside

counsel and experts and their staffs and all expenses of document location, duplication and shipment)(collectively “**Losses**”) only to the extent such Losses are determined by a court of competent jurisdiction to be a result of Escrow Agent’s gross negligence or willful misconduct; provided, however, that any liability of the Escrow Agent will be limited in the aggregate to the Escrow Deposit placed with the Escrow Agent.

(b) The Parties shall jointly and severally indemnify and hold Escrow Agent harmless from and against, and Escrow Agent shall not be responsible for, any and all Losses arising out of or attributable to Escrow Agent’s duties under this Agreement or this appointment, including the reasonable costs and expenses of defending itself against any Losses or enforcing this Agreement, except to the extent of liability described in Section 8(a) above.

(c) Without limiting the Parties’ indemnification obligations set forth in Section 8(b) above, neither the Parties nor the Escrow Agent shall be liable for any incidental, indirect, special or consequential damages of any nature whatsoever, including, but not limited to, loss of anticipated profits, occasioned by a breach of any provision of this Agreement even if apprised of the possibility of such damages.

(d) This Section 8 shall survive termination of this Agreement or the resignation, replacement or removal of the Escrow Agent for any reason.

9. Patriot Act Disclosure/Taxpayer Identification Numbers/Tax Reporting.

(a) **Patriot Act Disclosure.** Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“**USA PATRIOT Act**”) requires the Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, the Parties acknowledge that Section 326 of the USA PATRIOT Act and the Escrow Agent’s identity verification procedures require the Escrow Agent to obtain information which may be used to confirm the Parties identity including without limitation name, address and organizational documents (“identifying information”). The Parties agree to provide the Escrow Agent with and consent to the Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

(b) **Certification and Tax Reporting.** The Parties have provided the Escrow Agent with their respective fully executed Internal Revenue Service (“**IRS**”) Form W-8, or W-9 and/or other required documentation. All interest or other income earned under this Agreement shall be allocated to the Company and reported, as and to the extent required by law, by the Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Deposit by the Company whether or not said income has been distributed during such year. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities. The Parties hereby represent and warrant to the Escrow Agent that (i) there is no sale or transfer of an United States Real Property Interest as defined under IRC Section 897(c) in the underlying transaction giving rise to this Agreement; and (ii) such underlying transaction does not constitute an installment sale requiring any tax reporting or withholding of imputed interest or original issue discount to the IRS or other taxing authority.

10. Notices. All communications hereunder shall be in writing and except for communications from the Parties setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to funds transfer instructions (all of which shall be specifically governed by Section 11 below), shall be deemed to be duly given after it has been received and the receiving party has had a reasonable time to act upon such communication if it is sent or served:

(a) by facsimile or email;

(b) by overnight courier; or

(c) by prepaid registered mail, return receipt requested;

to the appropriate notice address set forth below or at such other address as any party hereto may have furnished to the other parties in writing by registered mail, return receipt requested.

If to Company:

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631
Tel: (800) 369-3990
Fax: 312-288-0073
Attn: John Buchanan, Esq. (General Counsel)

With a copy to:

Locke Lord LLP
111 S. Wacker Drive
Chicago, Illinois 60606
Tel: (312) 443-0700
Fax: (312) 443-0336
Attn: J. Brett Pritchard, Esq.

If to Placement Agent

Raymond James & Associates, Inc.
222 S. Riverside Plaza, 7th FL
Chicago, Illinois 60606
Tel: (312) 655-2613
Fax: (312) 612-7786
Attn: Allan D. Jean
allan.jean@raymondjames.com

With a copy to:

Stevens & Lee, P.C.
111 North 6th Street
Reading, PA 16103
Tel: (610) 478-2242
Attn: Wesley R. Kelso, Esq.
wrk@stevenslee.com

If to the Escrow Agent:

Computershare Trust Company, N.A.
8742 Lucent Boulevard, Suite 225
Highlands Ranch, CO 80129
Attention: Rose Stroud
Facsimile No. (303) 262-0608
Email: corporate.trust@computershare.com and
rose.stroud@computershare.com; jay.ramos@computershare.com

With a copy to:

Computershare Trust Company, N.A.
480 Washington Boulevard
Jersey City, NJ 07310
Attn: General Counsel
Facsimile No.: (201) 680-4610

Notwithstanding the above, in the case of communications delivered to the Escrow Agent, such communications shall be deemed to have been given on the date received by an officer of the Escrow Agent or any employee of the Escrow Agent who reports directly to any such officer at the above-referenced office. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate. For purposes of this Agreement, "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth above is authorized or required by law or executive order to remain closed.

11. Security Procedures. (a) Notwithstanding anything to the contrary as set forth in Section 10, any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to the Joint Written Instructions described in Section 4 of this Agreement, may be given to the Escrow Agent only by confirmed facsimile or email and no instruction for or related to the transfer or distribution of the Fund, or any portion thereof, shall be deemed delivered and effective unless the Escrow Agent actually shall have received such instruction by email or by facsimile at the number provided to the Parties by the Escrow Agent in accordance with Section 10 and as further evidenced by a confirmed transmittal to that number.

(b) In the event funds transfer instructions are so received by the Escrow Agent by facsimile or email, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 2 hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Escrow Agent. If the Escrow Agent is unable to contact any of the authorized representatives identified in Schedule 2, the Escrow Agent is hereby authorized both to receive written instructions from and seek confirmation of such instructions by telephone call-back to any one or more of the Parties' respective executive officers, ("Executive Officers"), as the case may be, which shall include the titles of President, Chief Executive Officer, Controller, General Counsel and Chief Financial Officer, as the Escrow Agent may select. Such Executive Officer shall deliver to the Escrow Agent a fully executed incumbency certificate, and the Escrow Agent may rely upon the confirmation of anyone purporting to be any such officer.

(c) The Parties acknowledge that the security procedures set forth in this Section 11 are commercially reasonable.

12. Compliance with Court Orders. In the event that any escrow property shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the property deposited under this Agreement, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the parties hereto or to any other person, entity, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

13. Miscellaneous. The provisions of this Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by the Escrow Agent and the Parties. Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by the Escrow Agent or any Party, except as provided in Section 6, without the prior consent of the Escrow Agent and the other parties. This Agreement shall be governed by and construed under the laws of the State of New York. Each Party and the Escrow Agent irrevocably waives any objection on the grounds of venue, forum non-conveniens or any similar grounds and irrevocably consents to service of process by mail or in any other manner permitted by applicable law and consents to the jurisdiction of any court of the State of New York or United States federal court, in each case, sitting in New York County, New York. The Parties and the Escrow Agent further hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Agreement. No party to this Agreement is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All signatures of the parties to this Agreement may be transmitted by facsimile, and such facsimile will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party. If any provision of this Agreement is determined to be prohibited or unenforceable by reason of any applicable law of a jurisdiction, then such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in such jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. A person who is not a party to this Agreement shall have no right to enforce any term of this Agreement. The Parties represent, warrant and covenant that each document, notice, instruction or request provided by such Party to Escrow Agent shall comply with applicable laws and regulations. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby irrevocably waived by the parties hereto to the fullest extent permitted by law, to the end that this Agreement shall be enforced as written. Except as expressly provided in Section 8 above, nothing in this Agreement, whether express or implied, shall be construed to give to any person or entity other than the Escrow Agent and the Parties any legal or equitable right, remedy, interest or claim under or in respect of this Agreement or any funds escrowed hereunder.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date set forth above.

VERICITY, INC.

By: _____

Name: _____

Title: _____

**RAYMOND JAMES & ASSOCIATES, INC.
As Placement Agent**

By: _____

Name: Allan D. Jean

Title: Director of Mutual Bank Services

**COMPUTERSHARE TRUST COMPANY, N.A.
As Escrow Agent**

By: _____

Name: Jaddiel Ramos

Title: Corporate Trust Officer

[Signature Page to Escrow Agreement]

SCHEDULE 1

**JOINT WRITTEN INSTRUCTIONS
FOR RELEASE OF ESCROW FUNDS**

Pursuant to Section 4(a) of the Escrow Agreement dated as of MONTH __, 2018, by and among Raymond James & Associates, Inc. (the "Placement Agent"), Vericity, Inc. (the "Company") and Computershare Trust Company, N.A. (the "Escrow Agent"), the Placement Agent and the Company hereby instruct the Escrow Agent to release \$[_____] from the Escrow Account in accordance with the following instructions:

Wire Instructions:

Account Name: _____

Account Number: _____

Bank Name: _____

Bank ABA Number: _____

Bank Address: _____

For credit to: _____

Special Instructions: _____

Bank Check:

Payee Name: _____

Mailing Address: _____

Vericity, Inc.

By: _____

Name: _____

Title: _____

Raymond James & Associates, Inc.

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 2

**Telephone Number(s) and authorized signature(s) for
Person(s) Designated to give and confirm Funds Transfer Instructions**

If from Company:

	<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

If from Placement Agent:

	<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1.	Allan D. Jean	(312) 655-2613	_____
2.	Patrick T. DeLacey	(312) 612-7699	_____

SCHEDULE 3

FEE SCHEDULE (INDICATIVE, TO BE CONFIRMED BASED ON DEAL TERMS, VALUE, VOLUMES, TIMING)

Account Set-Up	\$2,500.00
Annual Administration	\$2,500.00
Transaction Fees:	
Per Manual Check Deposit	\$10.00 (Fee would only apply if there is are instances where a check cannot be scanned because the ink isn't dark enough or something else goes wrong, and it has to be manually deposited by Computershare)
Per Deficiency (bounced check)	\$40.00
Per Outgoing Wire	\$100.00
Per Refund Check, if applicable	\$3.50
Legal Review, if applicable	By Appraisal

* The above fees exclude expenses, out of pockets and assume the use of Computershare's standard Escrow Agreement. We agree that in the event that the transaction and/or our services are begun but not completed for any reason, the above Account Set-Up and Annual Administration fees will be charged, plus the expense associated with work performed up to the point Computershare is notified. It is required that the Escrow Agreement be executed on or before the effective time of the Subscription Offering. This fee schedule is based upon information provided to date and may be subject to change. CRM#A-4EEKNE

SERVICES COVERED

- Designating a project manager to carry out Escrow Agent duties, including document review and execution of legal agreement, review and establishment of procedures, project management, and on-going project updates and reporting
- Establishing Escrow account at Bank of America ("BOA") for deposit of subscription funds
- Reporting deposits received, account balances and reconciling deposits as necessary
- Wiring subscription funds and interest earned to the appropriate parties following the expiration of the subscription offering

ASSUMPTIONS

- Fee schedule based upon approximately 4-6k subscriptions and \$148 - \$201 million in escrowed funds
- Significant changes made in the terms or requirements of this transaction could require modifications to the Escrow Agreement and Fee Schedule

-
- Services associated with new duties, legislation or regulatory fiat which become effective after the date of this fee schedule, will be provided on an appraisal basis
 - All out of pocket expenses such as checks, postage, stationery, wire transfers, etc. will be billed as incurred
 - Fees and out of pocket expenses associated with check scanners and remote deposit capture, will be billed as a straight pass through to our client

The foregoing fees are exclusive of all applicable taxes, costs for extraordinary services or events, and of reasonable legal costs and out-of-pocket expenses that may be incurred. Additional charges will be imposed for services not specifically priced or for extraordinary events, including, but not limited to, claims, threatened or actual litigation or default situations. Fees are subject to adjustment should activity levels justify it. Fees are subject to acceptance by Computershare's new business acceptance committee, and receipt of all required documentation for us to comply with any applicable anti-money laundering and anti-terrorism regulation, policy or guideline. Interest may be charged on overdue invoices.

SCHEDULE 4

APPROVED BANKS

Bank of America
BMO Harris Bank, N.A.
ANZ
Societe Generale
Citibank,N.A.
Bank of the West
PNC Bank NA
Huntington Bank
BNP Paribas
BB&T

Amendment No. 1
to
Amended and Restated Purchase and Sale Agreement

WHEREAS, HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD. (“Purchaser”), FIDELITY LIFE ASSOCIATION (“Seller”) and EFINANCIAL, LLC (“Seller’s Designee”) entered into that certain Amended and Restated Purchase and Sale Agreement (the “A&R PSA”) dated as of April 20, 2018;

WHEREAS, the parties to the A&R PSA desire to amend a certain date referenced therein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties hereto, the sufficiency of which is hereby acknowledged, it is hereby agreed that the A&R PSA is amended as follows, effective as of this 17th day of December, 2018.

1. The reference to “December 31, 2018” in the definition of “Funding Termination Date” in Section 1 of the A&R PSA is hereby deleted and the following is substituted therefor: “June 30, 2019.”

2. Except as set forth herein, the terms and provisions of the A&R PSA remain unamended and are in full force and effect, all of which terms and provisions are hereby ratified by all parties hereto. No rights of any such parties are relinquished or diminished by execution hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed as of the date written above.

PURCHASER:

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.,
a Bermuda insurance company

By: /s/ Jeffrey R. Burt

Name: Jeffrey R. Burt

Title: CEO

By: /s/ Robert Meehan

Name: Robert Meehan

Title: SVP & Chief Actuary

SELLER:

**FIDELITY LIFE ASSOCIATION, A LEGAL
RESERVE LIFE INSURANCE COMPANY**

By: /s/ Jim Harkensee

Name: Jim Harkensee

Title: President

SELLER'S DESIGNEE:

EFINANCIAL, LLC,
a Washington limited liability company

By: /s/ Christopher Campbell

Name: Christopher Campbell

Title: President

CONSENT OF BOENNING & SCATTERGOOD, INC.

We hereby consent to the use of our firm's name in the Registration Statement on Form S-1 and related amendments thereto (collectively, the "Form S-1") of Vericity, Inc. ("Vericity") as filed with the Securities and Exchange Commission (the "SEC"). We also consent to the inclusion of, summary of, and reference to our Pro Forma Valuation Appraisal Report, dated as of April 11, 2018, of Members Mutual Holding Company ("MMHC") in the Prospectus included in the Form S-1 filed by Vericity with the SEC.

We further consent to the inclusion of, summary of, and reference to in the Form S-1 of our opinion letter dated April 13, 2018 as to the value of subscription rights to be received by eligible policyholders of Members Mutual Holding Company pursuant to the Plan of Conversion.

In giving such consent, we do not admit and we disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the Securities and Exchange Commission thereunder

Boenning & Scattergood, Inc.

By: /s/ Boenning & Scattergood, Inc.

West Conshohocken, Pennsylvania

March 20, 2019

Re: Vericity, Inc

Consent of Milliman, Inc

We consent to the use in this Registration Statement on Form S-1 of Mr. Schreiber's opinion letter, dated March 25 , 2019 , included as Exhibit 99 .7 to the Registration Statement, and to the references made to Mr. Schreiber, to such opinion letter and to Milliman, Inc. under the following captions in the Prospectus included in the Registration Statement:

The Prospectus Summary

The Conversion and Offering

Experts

Milliman, Inc

By: /s/ Steven I. Schreiber, FSA, MAAA

Name: Steven I. Schreiber, FSA, MAAA

Title: Principal & Consulting Actuary

New York, NY

March 25, 2019

STOCK ORDER FORM

**SEND OVERNIGHT PACKAGES TO:**

Raymond James & Associates, Inc.
Vericity Inc. Processing Center
222 S. Riverside Plaza, 7th Floor
Chicago, IL 60606
 1-() _-__

Deadline: The Subscription Offering ends at 5 p.m., Central Time, on **[Expiration Date]**. Your original stock order form, properly executed and with the correct payment, must be received (not postmarked) by the deadline or it will be considered void. Stock orders may be delivered via mail or overnight service to the address above, or to the PO Box address on the business reply envelope provided. **Faxes or copies of this form may not be accepted. We reserve the right to accept or reject improperly completed stock order forms.**

PLEASE PRINT CLEARLY. – READ THE INSTRUCTIONS ON THE REVERSE SIDE AS YOU COMPLETE THIS FORM.

(1) Shares Ordered **(2) Amount Due (\$10 per share)**

	\$
--	----

(3) Purchase Limitations – The minimum purchase is 25 shares (\$250). **Your individual maximum purchase limit is [] shares (\$[]).** See the Prospectus section titled “The Conversion and Offering – Limitations on Purchases of Common Stock” for more information on purchase limitations.

Payment – Full payment must accompany your completed stock order form. Checks should be made payable to “Computershare Trust Company, N.A., as escrow agent for Vericity, Inc.” **Checks will be cashed upon receipt. Cash, wire transfers and third party checks will not be accepted for this purchase.**

(4) Director/Officer/Employee - Check if you are: ☐ a Director or Officer of Members Mutual Holding Company, and/or ☐ an Employee of Fidelity Life Association or Efinancial, LLC.

(5) Associates/Acting in Concert: ☐ Check here if you or any associates or persons acting in concert with you are submitting other stock orders. If you check this box, list below all other orders submitted by you or your associates or by persons acting in concert with you. See the Prospectus section titled “The Conversion and Offering – Limitations on Purchases of Common Stock” for a more detailed description of “associates” and “acting in concert.”

Name(s) Listed in Section 6 on Other Stock Order Forms	Shares Ordered	Name(s) Listed in Section 6 on other Stock Order Forms	Shares Ordered

(6) Stock Registration: Your stock ownership statement and all communication related to this stock order will be mailed to the address provided below. Stock may only be purchased by the policyholder(s) identified at the top of this order form. See the Stock Order Form Instructions on the reverse side for further guidance.

☐ Individual ☐ Joint Tenants ☐ Corporation/Partnership (include Tax ID# and name of corporation/partnership only)

☐ IRA (include Tax ID# of custodian and SS# of owner)

☐ Trust – Under Agreement Dated

☐ Other

Name	Reporting SS# or Tax ID#
Name	SS# or Tax ID#
Address	Daytime Telephone #
City State Zip Code	Evening Telephone #

(7) Acknowledgement, Certification and Signature

I understand that to be valid, this stock order form, properly completed, together with full payment, must be received by Vericity, Inc. (not postmarked) no later than 5 p.m., Central Time, on **[Expiration Date]** otherwise this form and all of my subscription rights will be void. I agree that after receipt by Vericity, Inc., this stock order form may not be modified or cancelled without Vericity, Inc.’s consent. **Under penalty of perjury, I certify that:** 1) I am purchasing shares solely for my account and there is no agreement or understanding regarding the sale or transfer of such shares, or my right to subscribe for shares, 2) the Reporting Social Security Number or Tax ID information and all other information provided hereon are true, correct and complete, and 3) I am not subject to backup withholding tax [cross out (3) if you have been notified by the IRS that you are subject to backup withholding.] I acknowledge that my order does not conflict with the maximum purchase limitations described above and in the Prospectus dated [____], for any person, together with associates of, or persons acting in concert with, such person, or entity.

Subscription rights pertain to those eligible to participate in the Subscription Offering, as defined in the Prospectus dated [____]. Regulations prohibit any person from transferring or entering into any agreement directly or indirectly to transfer the legal or beneficial ownership of subscription rights, or the underlying securities, to the account of another.

I ACKNOWLEDGE THAT THE SHARES OF COMMON STOCK ARE NOT INSURED BY VERICITY, INC. OR ANY GOVERNMENT AGENCY, AND THAT THE ENTIRE AMOUNT OF MY INVESTMENT IS SUBJECT TO LOSS.

I further certify that, before purchasing the common stock of Vericity, Inc., I received the Prospectus dated [____] and that I have read the terms and conditions described in the Prospectus, including disclosure concerning the nature of the security being offered and the risks involved in the investment described in the section of the Prospectus titled **“Risk Factors”**. Execution of this order form will not constitute a waiver of any rights a purchaser may have under the Securities Act of 1933 and the Securities Exchange Act of 1934.

SIGNATURE REQUIRED

Signature	Date	Signature	Date
-----------	------	-----------	------

Internal Use Only: Date Rec'd _____ Check# _____ \$ _____ Check# _____ \$ _____ Batch# _____ Order # _____ Priority _____

Stock Order Form Instructions

Item 1, 2 and 3 - Fill in the number of shares that you wish to purchase in item 1, and the total payment amount due in item 2. The amount due is determined by multiplying the number of shares ordered by the subscription price of \$10.00 per share. The minimum number of shares you may order is 25 shares. The maximum number of shares you may order is printed in section 3 on the reverse side of this form. See the Prospectus section titled “The Conversion and Offering – Limitations on Purchases of Common Stock” for more information on purchase limitations. Payment for shares may be made by check, bank draft or money order payable to “Computershare Trust Company, N.A., as escrow agent for Vericity, Inc.” DO NOT MAIL CASH. Payments received during the offering will be placed in an escrow account at Computershare Trust Company, N.A., who will serve as the escrow agent until completion of the offering.

Item 4 - Check the appropriate box(s) if you are a Director or Officer of Members Mutual Holding Company, and/or an Employee of Fidelity Life Association or Efinancial, LLC.

Item 5 - Check the box, if applicable, and provide the requested information. Attach a separate page, if necessary. In the Prospectus dated _____, 2019, please see the section entitled “The Conversion and Offering—Limits on Purchases of Common Stock” for more information regarding the definition of “associate” and “acting in concert.”

Item 6 - The stock transfer industry has developed a uniform system of shareholder registrations that we will use in the issuance of Vericity, Inc. common stock. Please complete this section as fully and accurately as possible, and be certain to supply your social security or Tax I.D. number(s) and your daytime and evening phone numbers. We will need to call you if we cannot execute your order as given. If you have any questions regarding the registration of your stock, please consult your legal advisor or contact the Stock Information Center at () ____-_____. Subscription rights are not transferable. If you are an eligible member of Members Mutual, to protect your priority over other purchasers as described in the prospectus you must take ownership in at least one of the eligible policyholder’s names.

Item 7 - Sign and date the form where indicated. Before you sign please read carefully and review the information which you have provided and read the acknowledgement. All persons named in section 5 on the reverse side must sign the order form. Please review the Prospectus dated _____, 2019 including the section titled “Risk Factors”, before making an investment decision.

Stock Ownership Guide

Individual - The stock is to be registered in one person’s name only. You may not list beneficiaries for this ownership.

Joint Tenants – Joint tenants with rights of survivorship identifies two or more owners. When stock is held by joint tenants with rights of survivorship, ownership automatically passes to the surviving joint tenant(s) upon the death of any joint tenant. All owners must agree to the transfer or sale of shares held by joint tenants.

Corporation/Partnership – If the eligible Fidelity Life Association policyholder is a business concern the business may exercise its subscription right to purchase stock. The stock must be registered in the name of the business and may not be registered in the name of business owners, partners, officers of the business, etc. Please provide the full legal name, address and Tax I.D# of the business. Please contact the Stock Information Center to verify subscription rights and purchase limitations.

Individual Retirement Account - Individual Retirement Account (“IRA”) holders may be able to make stock purchases from their existing IRA if it is a self-directed IRA. Please contact your financial advisor or self-directed IRA provider as quickly as possible to explore this option, as it may take a number of weeks to place a subscription using IRA funds. Suggested registration for IRA’s (confirm with your IRA provider):

On Name Line 1 - list the name of your IRA custodian, followed by “CUST”

On Name Line 2 - FBO (for benefit of) YOUR NAME [IRA, ROTH IRA, etc.]

Address will be that of the broker / trust department to where the statement of ownership will be sent.

The Reporting Tax ID# should be that of your custodian. Provide your Social Security Number on line 2 of the registration area.

Please list **your** phone numbers, **not** the phone numbers of your broker / trust department.

Trust/Fiduciary - Generally, fiduciary relationships (such as Trusts, Estates, Guardianships, etc.) are established under a form of trust agreement or pursuant to a court order. Without a legal document establishing a fiduciary relationship, your stock may not be registered in a fiduciary capacity.

For additional information, refer to the prospectus dated [_____] or call our Stock Information Center, toll free, at () ____-____, Monday through Friday, between 10:00 a.m. and 4:00 p.m., Central Time. The stock information center will be closed on weekends and holidays.



Q&A

Questions and Answers
About our Conversion and Stock Offering

This pamphlet answers questions about the mutual to stock conversion of Members Mutual Holding Company and the related common stock offering of Vericity, Inc. Investing in shares of common stock involves certain risks. Before making an investment decision, please read the enclosed Prospectus carefully, including the section entitled "Risk Factors."

THE CONVERSION

Why am I receiving these materials, and what is the conversion?

You are receiving these materials because you were a policyholder of Fidelity Life Association, an Illinois legal reserve life insurance company (“Fidelity Life”) as of July 31, 2018. As a policyholder of Fidelity Life, you are also a member of Members Mutual Holding Company (“Members Mutual”), an Illinois mutual insurance holding company that is the parent company of Fidelity Life. Members Mutual has adopted a Plan of Conversion (the “Plan”) under which it is seeking to convert from mutual to stock form. Members of Members Mutual who were policyholders of Fidelity Life as of July 31, 2018 (“eligible members”), are being asked to vote to approve the Plan, as more fully described below.

As a part of the Plan, Vericity, Inc., the stock holding company formed to acquire all of the stock of Members Mutual upon its conversion, is conducting an initial public offering of shares of its common stock. Upon completion of the conversion, Vericity, Inc. will be owned by the persons who purchase shares in the offering, and Members Mutual will be converted into a stock company wholly owned by Vericity, Inc. See “Prospectus Summary – Our Structure Following the Conversion” in the enclosed prospectus for additional details and a diagram of our corporate structure prior to and following the conversion and offering.

What are the reasons for the conversion and stock offering?

In deciding to convert from the mutual to the stock form of organization, Members Mutual considered many factors, including among other things, that the conversion would permit us to undertake a substantial capital raising transaction, provide an improved ability to access future capital as a publicly traded company, enable Members Mutual to seek to achieve scale and position it to execute against its middle market opportunity, and afford members an opportunity to participate in the success of Members Mutual through the purchase of stock. See “The Conversion and Offering—Background and Reasons for the Conversion” in the enclosed prospectus for additional discussion of the reasons for the conversion and offering.

Will the conversion affect my premiums or coverage with Fidelity Life Association?

No. There will be no change in your premiums or insurance coverage under existing policies of insurance with Fidelity Life as a result of the conversion. All policies and annuities will remain as they were prior to the conversion.

THE PROXY VOTE

Who is entitled to vote on the Plan of Conversion?

The eligible members of Members Mutual are eligible to vote for approval of the Plan. The eligible members are also being asked to vote to approve the amended and restated articles of incorporation (the “Restated Articles”) of converted Members Mutual, approval of which is necessary in order to complete the conversion.

Why should I vote on the Plan and the Restated Articles?

Your vote “For” the approval of the Plan and “For” the approval of the Restated Articles is very important to us in order that we can continue to pursue our mission of providing affordable life insurance to the middle American market. The Plan of Conversion and the Restated Articles have been approved by the Illinois Director of Insurance, subject to approval of the Plan and the Restated Articles by the eligible members. Approval of the Plan and of the Restated Articles requires the affirmative vote of at least two-thirds of the votes cast in person or by proxy by the eligible members at the special meeting. **The Plan cannot be implemented without receipt of member approval of the Plan and the Restated Articles.**

How do I vote?

You can vote by mailing your signed proxy card(s) in the blue postage-paid envelope marked “PROXY RETURN”. PLEASE VOTE PROMPTLY.

Does my vote on the Plan of Conversion and Restated Articles require me to buy stock in the offering?

No. Voting for approval of the Plan and the Restated Articles does not require you to buy stock in the offering. As a policyholder of Fidelity Life as of July 31, 2018, you have a priority right, but no obligation, to buy shares in the offering before the shares are made available to other participants in the offering.

THE STOCK OFFERING AND PURCHASING SHARES

Investment in our common stock involves certain risks, including the possible loss of your entire investment. For a discussion of certain of such risks and other factors, you are urged to read the accompanying prospectus, including the section entitled “Risk Factors” beginning on page [●] of the prospectus.

How many shares are being offered and at what price?

Vericity, Inc. is offering for sale between 14,875,000 and 20,125,000 shares of common stock at \$10.00 per share. A minimum of 14,875,000 shares must be sold for us to complete the conversion.

Who is eligible to purchase stock during the offering?

We are offering shares of our common stock in a subscription offering and a community offering. The subscription offering will be made to eligible members of Members Mutual, who were the policyholders of Fidelity Life Association as of July 31, 2018, and to the directors and officers of Members Mutual. Concurrently with the subscription offering and subject to the prior right of subscribers in the subscription offering, shares will be offered in an offering we refer to as the community offering to eligible employees of Members Mutual and possibly to a limited number of other potential investors.

If the number of shares subscribed for in the subscription offering, together with any subscriptions accepted in the community offering, is less than 14,875,000 shares, a standby purchaser has agreed to purchase enough shares to guarantee the sale of 14,875,000 shares in the offerings, and may purchase additional shares as may be necessary in order to permit the standby purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the offerings.

Are the directors and officers of Members Mutual planning to purchase shares in the subscription offering?

Yes. If the eligible members subscribe for less than the offering maximum of 20,125,000 shares, the directors and officers of Members Mutual, together with their affiliates and associates, have indicated their intention to purchase approximately [2,001,600] shares of common stock in the subscription offering.

Who is the Standby Purchaser and what is the Standby Stock Purchase Agreement?

A minimum of 14,875,000 shares must be sold in the offering in order for us to complete the conversion. We have entered into an agreement with Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund managed by J.C. Flowers & Co. LLC, under which Apex Holdco, L.P. has agreed to act as the standby purchaser for this offering.

Under the standby stock purchase agreement with the standby purchaser, the standby purchaser has agreed, subject to certain conditions, to acquire from us at the subscription price of \$10.00 per share the number of shares equal to the difference of the offering minimum of 14,875,000 shares and the number of shares of common stock sold in the subscription and community offerings. In addition, the standby purchaser has the right to purchase additional shares up to the offering maximum, which additional shares may permit the standby purchaser to acquire up to a majority of the stock sold in the offerings. For a description of the terms and conditions of the standby stock purchase agreement, see “The Conversion and Offering – Description of the Standby Purchase Agreement.”

I am eligible to subscribe for shares in the offering but I am not interested in investing. May I allow someone else to use my stock order form to take advantage of my priority as an eligible member?

No. Subscription rights are non-transferable! Illinois law prohibits you from transferring your subscription rights. If you subscribe for shares of common stock in the subscription offering, you will be required to state that you are purchasing the common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights or the shares to others.

How may I buy shares during the subscription offering?

Shares can be purchased by delivering a signed and completed original stock order form, together with full payment. You may submit your order by overnight delivery to the address indicated for that purpose on the top of the stock order form, or you may submit your order by mail using the green postage-paid envelope marked “STOCK ORDER RETURN”. However, please know that all orders, with full payment, must be received (not postmarked) by the order deadline. We encourage you to consider overnight delivery to increase the likelihood that your order is received before the deadline.

What is the deadline for purchasing shares?

The deadline for purchasing shares of common stock in the subscription offering is 5:00 PM, Central Time, on [END DATE]. If you wish to purchase shares of common stock, a properly completed and signed original stock order form, together with full payment, must be received (not postmarked) by this time.

How may I pay for the shares?

Payment for shares may be made by personal check, bank check, or money order made payable to “Computershare Trust Company, N.A., as escrow agent for Vericity, Inc.”. Please do not send cash.

Will I earn interest on my funds?

No. All funds submitted to purchase shares will be held in escrow until completion or termination of the offering and will not earn interest.

Are there limits to how many shares I can order?

Yes. The minimum order is 25 shares (\$250). There is also an individual maximum purchase limit which applies to each eligible member. This individual maximum purchase limit is printed on the stock order form that has been mailed to each eligible member along with a copy of the prospectus. No eligible member, together with such person’s associates or a group acting in concert, may directly or indirectly, subscribe for or purchase in this offering more than such member’s individual maximum purchase limit. See “The Conversion and Offering—Limitations on Purchases of Common Stock” in the enclosed prospectus for additional discussion of individual maximum purchase limits.

Is it possible that I may not receive all of the shares I order?

Yes. We are not permitted to sell more than 20,125,000 shares of common stock. If we receive orders from eligible members for more shares than we are permitted to sell, shares will be allocated as described in the prospectus. If we are unable to fill any portion of your order, or if we determine to cancel the offering, you will receive a refund check for any unused funds which you submitted as payment, without interest. See “The Conversion and Offering —Subscription Offering and Subscription Rights” in the enclosed prospectus for a discussion of allocation procedures in the event of an oversubscription.

May I change my mind after I place my order?

No. After receipt, your executed stock order form may not be modified or rescinded without our consent.

Will the stock be insured?

No. Like any common stock, Vericity, Inc. common stock will **NOT** be insured.

Will dividends be paid on the shares of common stock?

Following completion of this stock offering, our board of directors will have the authority to declare dividends on our shares of common stock. We currently do not have any plans to pay ordinary cash dividends to our stockholders.

The standby stock purchase agreement provides that within six months of the closing of this offering, our board will direct management to undertake and complete a capital needs assessment to project the amount of capital reasonably needed to be maintained at Vericity to support adequate operating capital levels at Fidelity Life and Efinancial, another subsidiary of Members Mutual. If our management determines that the amount of capital at Vericity is in excess of these requirements, our management may recommend to the Vericity board of directors the declaration of a special cash dividend in an amount not to exceed any such excess capital. The amount of any special dividend would not equal or exceed one hundred percent of the net proceeds of the offerings. However, there can be no assurance that our board of directors will declare any dividend. Any decision regarding the declaration or amount of any dividend will be in the sole discretion of the board of directors of Vericity and will depend on many factors. For information regarding the potential payment of a special cash dividend following a capital needs assessment, see “Use of Proceeds” and “Dividend Policy – Capital Needs Assessment; Potential Special Dividend” in the enclosed prospectus.

How will Vericity, Inc. shares trade?

Following completion of the conversion, Vericity Inc.’s common stock is expected to trade on the Nasdaq Capital Market under the symbol “VERY.” Once the shares have begun trading, you may contact a stock broker to buy or sell Vericity, Inc. shares.

If I purchase shares in the offering, when will I receive my shares?

All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription offering will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the conversion and offering. We expect trading in the stock to begin on the day of completion of the conversion and offering or the next business day. **Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers may not be able to sell the shares of common stock which they ordered, even though the common stock will have begun trading.** Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

HOW TO GET FURTHER INFORMATION

Where can I get more information?

For more information, refer to the enclosed prospectus or call our Stock Information Center to speak to a representative of Raymond James, toll-free, at [SIC PHONE], Monday – Friday, 10:00 a.m. – 4:00 p.m., Central Time, except bank holidays.



Dear Member:

We are pleased to inform you that the Board of Directors of Members Mutual Holding Company (“MHC”), the parent company of Fidelity Life Association (“Fidelity Life”), has approved a Plan of Conversion (the “Plan”) under which MHC plans to convert from mutual to stock form. As a part of the Plan, Vericity, Inc., a corporation formed to be the parent stock holding company for Fidelity Life, is conducting an offering of shares of its common stock.

As a policyholder of Fidelity Life, you are also a member of MHC and have the right to vote on approval of the Plan and of the amendment and restatement of MHC’s Articles of Incorporation (“Restated Articles”) needed to complete the conversion. You also have a priority right to subscribe for shares of Vericity, Inc. common stock before the stock becomes available to the other offering participants. Enclosed are a prospectus, a stock order form, a proxy statement, and other materials further describing the Plan and the offering.

THE PROXY VOTE – Approval of the Plan requires the approval of our members. **Your Board of Directors urges you to vote “FOR” approval of the Plan and “FOR” the approval of the Restated Articles.** Please note that the conversion will not result in changes to your life insurance policies with Fidelity Life, and voting for approval of the Plan does not obligate you to purchase shares of our common stock.

To cast your vote, please sign and return your proxy card in the blue proxy reply envelope provided. Alternatively, you may vote by telephone or internet, by following the simple instructions included with your proxy card.

THE STOCK OFFERING—As a member of the MHC, you have a priority right, but no obligation, to buy shares of Vericity, Inc. common stock during our subscription offering before the shares become available to the other offering participants. The common stock is being offered at \$10.00 per share, and any sales commissions paid in connection with the purchase of shares in the offering will be paid out of the gross proceeds of the offering. **Please read the enclosed prospectus carefully before making any investment decision.**

If you are interested in purchasing shares of Vericity, Inc. common stock, please complete the enclosed stock order form and return it with full payment. You may submit your order by overnight delivery to the address indicated for that purpose on the top of the order form, or you may submit your order form by mail using the green stock order reply envelope provided. However, please know that **ALL STOCK ORDER FORMS, WITH FULL PAYMENT, MUST BE RECEIVED (NOT POSTMARKED) BY 5 P.M., CENTRAL TIME, ON [].**

We invite you to consider this opportunity to share in our future.

Sincerely,

James E. Hohmann
Chief Executive Officer

Questions? - Please call our Stock Information Center, toll-free, at [SIC PHONE].
Monday – Friday, 10:00 a.m. – 4:00 p.m., Central Time, except holidays.

This letter is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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To Policyholders of Fidelity Life Association

Raymond James & Associates, Inc., a member of the Financial Industry Regulatory Authority, has been hired by Members Mutual Holding Company and Fidelity Life Association to assist them in converting Members Mutual Holding Company from mutual to stock form. As a part of the conversion, Vericity, Inc., the stock holding company formed to be the holding company of Members Mutual Holding Company and its subsidiaries, is conducting an offering of shares of its common stock. Raymond James & Associates, Inc. is not affiliated with Members Mutual Holding Company, Fidelity Life Association, or Vericity, Inc.

At the request of Vericity, Inc., we are enclosing materials explaining the conversion and common stock offering. Please read the enclosed prospectus carefully for a complete description of the stock offering, including the section titled “Risk Factors.” Vericity, Inc. has asked us to forward the Prospectus and accompanying documents to you in view of certain requirements of the securities laws in your state.

If you have questions regarding the conversion and the stock offering, please call the Stock Information Center, toll free, at [SIC PHONE], Monday – Friday, 10:00 a.m. – 4:00 p.m., Central Time, except holidays.

Sincerely,

Raymond James & Associates, Inc.

This is letter not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

B D

**Draft Form of Proxy Statement
For Review by the Illinois Department of Insurance**

**FORM OF
MEMBERS MUTUAL HOLDING COMPANY
8700 WEST BRYN MAWR AVENUE
SUITE 900S
CHICAGO, ILLINOIS 60631**

NOTICE OF SPECIAL MEETING OF MEMBERS

Notice is hereby given that a Special Meeting of Members (the “Special Meeting”) of Members Mutual Holding Company (“Members Mutual” or the “Company”) will be held on _____, 2019 at _____ a.m., local time, at the Company’s offices at 8700 W. Bryn Mawr Avenue, Suite 900S, Chicago, Illinois 60631, for the following purposes:

- (1) the adoption and approval of the Members Mutual Holding Company Plan of Conversion From Mutual Holding Company to Stock Form (the “Plan of Conversion”) (a copy of which is attached to the accompanying proxy statement as Exhibit A), pursuant to which Members Mutual would convert from mutual holding company to stock form, as described in more detail in the enclosed Proxy Statement;
- (2) the adoption and approval of the proposed amended and restated articles of incorporation of Members Mutual (the “Restated Articles”) (a copy of which is attached to the accompanying proxy statement as Exhibit B), providing for the authorization and issuance of the capital stock of Members Mutual upon its conversion from mutual to stock form;
- (3) a proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Plan of Conversion and the Restated Articles; and
- (4) to transact any other business that may properly come before the Special Meeting or any adjournment or postponement thereof.

As of the date of mailing of this Notice of Special Meeting, the Board of Directors of the Company (the “Board of Directors”) is not aware of any other matters that may come before the Special Meeting.

In accordance with the Plan of Conversion and the provisions of Section 59.1 of the Illinois Insurance Code, 215 ILCS 5/59.1, only those persons who were members of Members Mutual as of July 31, 2018, which is the date that the Board of Directors adopted the Plan of Conversion, are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof. You were a member of Members Mutual as of that date if you were the owner of an in-force policy of insurance, or the holder of a master policy under a group insurance policy, issued by Fidelity Life Association, a legal life reserve insurance company, on July 31, 2018.

**Draft Form of Proxy Statement
For Review by the Illinois Department of Insurance**

Whether or not you plan to attend the Special Meeting, your vote is very important, and we encourage you to vote promptly. To vote, please mark, sign and date the enclosed proxy and mail it promptly in the enclosed, postage-paid return envelope. Alternatively, you may vote by telephone or via the internet, following the instructions included with the proxy card. If you execute a proxy but later decide to attend the Special Meeting in person, or for any other reason desire to revoke your proxy, you may do so by submitting a later dated proxy that must be received before your proxy is voted. Submitting a proxy will not prevent you from attending the Special Meeting and voting in person if you so desire, but it will help us secure a quorum and reduce the expense of additional proxy solicitation.

By Order of the Board of Directors

Richard A. Hemmings
Chairman of the Board of Directors

_____, 2019
Chicago, Illinois

MEMBERS MUTUAL HOLDING COMPANY

PROXY STATEMENT

Your proxy, in the form enclosed, is solicited by the Board of Directors of Members Mutual Holding Company (“Members Mutual” or the “Company”) for use at a special meeting (the “Special Meeting”) of its members to be held on _____, 2019 and any adjournment or postponement of that meeting, for the purposes set forth below. Only Eligible Members (as defined below) are entitled to notice of and to vote at the Special Meeting. The Board of Directors of Members Mutual urges you to sign and return your proxy even if you plan to attend the Special Meeting. An “Eligible Member” is a person who was a member of Members Mutual, and the owner of an in-force policy of insurance, or the holder of a master policy under a group insurance policy, issued by Fidelity Life Association, a legal life reserve insurance company domiciled in Illinois (“Fidelity Life”), on July 31, 2018, which is the date that the Board of Directors of Members Mutual adopted the Plan of Conversion (the “Adoption Date”).

IMPORTANT NOTICE

The Members Mutual Holding Company Plan of Conversion From Mutual Holding Company to Stock Form adopted on July 31, 2018, as amended and restated on September 16, 2018 (the “Plan of Conversion”), was approved by the Director of the Illinois Department of Insurance (the “Illinois Director”). Approval of the Plan of Conversion by the Illinois Director does not constitute or imply that the Illinois Director has endorsed the Plan of Conversion, nor does such approval constitute investment advice or a recommendation by the Illinois Director on how you should vote on the Plan of Conversion and the Amended and Restated Articles of Incorporation of Members Mutual (the “Restated Articles”).

INTRODUCTION

The Special Meeting of the Eligible Members of Members Mutual will be held at the Company’s principal executive offices at 8700 W. Bryn Mawr Avenue, Chicago, Illinois 60631 on _____, 2019, at _____ a.m., local time. The purpose of the Special Meeting is to consider and vote upon (i) the Plan of Conversion, a copy of which is attached hereto as Exhibit A, (ii) the Restated Articles, a copy of which is attached hereto as Exhibit B, (iii) any proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Plan of Conversion and the Restated Articles, and (iv) any other business that may properly come before the Special Meeting or any adjournment or postponement thereof. The Plan of Conversion and the Restated Articles have been adopted by the Board of Directors of the Company and approved by the Illinois Director. If the Plan of Conversion and Restated Articles are approved at the Special Meeting by at least two-thirds of the Eligible Members voting at the Special Meeting in person or by proxy, and the other conditions to closing the Conversion are satisfied, Members Mutual will convert from an Illinois mutual insurance holding company to an Illinois stock insurance holding company (the “Conversion”) pursuant to the provisions of Section 59.1 of the Illinois Insurance Code, 215 ILCS 5/59.1 (the “Conversion Act”) and become a wholly-owned subsidiary of Vericity (as defined below). After the Conversion, each policy of insurance issued by Fidelity Life and in force on the effective date of the Conversion shall continue to remain in

force under the terms and conditions of that policy, except that any voting and other membership rights of any member of Members Mutual shall be extinguished on the effective date of the Conversion. All statements made in this Proxy Statement regarding the Plan of Conversion are qualified in their entirety by reference to the Plan of Conversion, a copy of which is attached hereto as Exhibit A.

INFORMATION RELATING TO VOTING AT THE SPECIAL MEETING

Each Eligible Member will be entitled at the Special Meeting to cast only one vote. To be an Eligible Member, a member of the Company must be the owner of an in-force policy of insurance, or the holder of a master policy under a group insurance policy, issued by Fidelity Life as of the Adoption Date. Thus, an Eligible Member under more than one Fidelity Life insurance policy in force as of the Adoption Date will have only one vote.

One hundred Eligible Members must be present, in person or by proxy, to constitute a quorum at the Special Meeting. Approval of the Plan of Conversion and the Restated Articles will require the affirmative vote, either in person or by proxy, of at least two-thirds of the Eligible Members voting in person or by proxy at the Special Meeting. As of the Adoption Date, the Company had approximately 215,500 Eligible Members entitled to vote at the Special Meeting.

Eligible Members may vote at the Special Meeting or any adjournment or postponement thereof in person or by proxy filed with the Secretary at the Company's principal executive offices at 8700 W. Bryn Mawr Avenue, Chicago, Illinois 60631, at least one business day before the date of the Special Meeting. If no contrary instructions are given, signed proxies will be voted in favor of the Plan of Conversion, the Restated Articles and any proposal to adjourn the meeting. If any other matters are properly presented before the Special Meeting, the proxies solicited hereby will be voted on such matters by the proxyholders according to their discretion. Any Eligible Member giving a proxy will have the right to revoke his or her proxy at any time before it is voted by filing with the Corporate Secretary written notice revoking the proxy or another duly executed proxy bearing a later date, or by attending the Special Meeting and voting in person.

If there is more than one owner under a Fidelity Life insurance policy in force as of the Adoption Date, those persons will collectively constitute an Eligible Member and will have only one vote with respect to such insurance policy. In that event, only one signature is required on the proxy. In the event that conflicting proxies are received from more than one owner with respect to the same policy or in the case of a tie, the proxyholders will vote in accordance with the instructions set forth in the latest proxy to be filed.

DESCRIPTION OF THE PLAN OF CONVERSION

General

On the Adoption Date, the Board of Directors of Members Mutual, after due deliberation, unanimously adopted the Plan of Conversion under which Members Mutual would convert from mutual holding company to stock form. Under the Plan of Conversion, Members Mutual proposes to convert from a mutual holding company to stock form in a subscription rights conversion under the Conversion Act. Members Mutual has organized a company, Vericity, Inc., a Delaware corporation (“Vericity”), for the purpose of holding all the stock of Members Mutual after its conversion to stock form (the “Converted Members Mutual”), and to offer and sell shares of common stock, par value \$.001 per share, of Vericity (the “Common Stock”) in the offerings as described below.

The Conversion is contingent upon approval of the Plan of Conversion and the Restated Articles by the Eligible Members at the Special Meeting, and the adoption of the Restated Articles by the Illinois Director following the Special Meeting. The Illinois Director approved the Plan of Conversion on _____, 2019. The Illinois Director’s approval of the Plan of Conversion is not a recommendation or endorsement of the Plan of Conversion or the related stock offerings.

The Subscription Offering

The Plan of Conversion provides that Vericity will offer for sale in a subscription offering (the “Subscription Offering”) to the Eligible Members and the directors and officers of Members Mutual between 14,875,000 and 20,125,000 shares of Common Stock at a price of \$10.00 per share. This amount was determined based upon an independent valuation of the estimated consolidated pro forma market value of Converted Members Mutual, as discussed in more detail below. The Common Stock will be offered for sale pursuant to a registration statement and prospectus filed and declared effective under the Securities Act of 1933, as amended (the “1933 Act”), a copy of which prospectus (the “Prospectus”) accompanies this Proxy Statement.

Eligible Members will be granted rights to subscribe to purchase shares of Common Stock of Vericity in the Subscription Offering. These subscription rights provide the opportunity to purchase shares before orders from any other purchasers may be accepted. If shares remain available for sale after the subscriptions of the Eligible Members are filled, such remaining shares will be offered to directors and officers of Members Mutual and the standby purchaser (as described in greater detail below and in the Prospectus accompanying this Proxy Statement). The shares of Common Stock will be offered for sale at \$10.00 per share. An Eligible Member who wishes to subscribe must purchase at least 25 shares of stock and may not purchase more than the lesser of 743,750 shares or such member’s maximum purchase limitation printed on the stock order form accompanying the Prospectus. Other limitations apply to the Subscription Offering, which are described in greater detail in the Prospectus.

If the Eligible Members in the aggregate subscribe for less than 20,125,000 shares in the Subscription Offering, the directors and officers of Members Mutual have indicated their intention to purchase approximately [2,001,600] shares of Common Stock in the Subscription Offering. The directors and officers of Members Mutual are not obligated to purchase this number of shares, and in the aggregate they may purchase a greater or smaller number of shares, subject to the purchase limitations described in the Plan of Conversion.

The Standby Offering

If less than 14,875,000 shares of Common Stock are subscribed for in the Subscription Offering, Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund managed by J.C. Flowers & Co. LLC (the “Standby Purchaser”), has agreed to purchase the number of shares of our Common Stock equal to the difference between (i) 14,875,000 and (ii) the number of shares of Common Stock subscribed for in the Subscription Offering, and may purchase additional shares as may be necessary in order to permit the Standby Purchaser to acquire a majority of the shares sold, provided that no more than 20,125,000 shares may be sold in the Offerings. We refer to the offering of shares to the Standby Purchaser as the “Standby Offering.” We refer to the Subscription Offering and the Standby Offering together as the “Offerings.”

Relationship Between this Proxy Statement and the Prospectus

This Proxy Statement does not constitute an offer to sell shares of Vericity Common Stock. Such offer shall be made only by means of the Prospectus that accompanies this Proxy Statement.

This Proxy Statement summarizes and presents selected information from the Prospectus and does not contain all the information that might be important to an Eligible Member in deciding whether to (i) vote for approval of the Plan of Conversion and the Restated Articles, and /or (ii) subscribe for the purchase of Common Stock of Vericity in the Subscription Offering. To understand the Subscription Offering fully, Eligible Members should read the Prospectus carefully, including the financial statements and the notes to the financial statements that are included in the Prospectus. Eligible Members may also wish to review the Plan of Conversion.

The Prospectus contains detailed information concerning the Offerings, including:

- a discussion of the business of Members Mutual and its subsidiaries;
- a discussion of the mechanics of the Subscription Offering, including priorities for purchasing common stock through subscription rights, and limitations on the number of shares that can be purchased in the Subscription Offering;
- a discussion of the mechanics of the Standby Offering and a summary of the standby stock purchase agreement with the Standby Purchaser;
- a discussion of the risks of investing in shares of Common Stock;
- a discussion of the proposed use of proceeds from the Offerings, including the possibility of the payment of a special dividend based on the outcome of a capital needs assessment to be undertaken and completed within six months after the Offerings;
- historical financial data for Members Mutual;
- pro forma financial data for Vericity;
- a discussion of Members Mutual’s business, strategies, financial condition and results of operations;
- a description of the marketing arrangements to be used in the Subscription Offering;
- a review of certain tax consequences of the Conversion to Members Mutual and its Eligible Members;
- information concerning management and management compensation; and
- a discussion of Vericity’s certificate of incorporation and bylaws.

The decisions to be made by an Eligible Member in voting on the Plan of Conversion and the Restated Articles and in deciding whether to purchase Common Stock of Vericity are separate. For instance, you may vote in favor of the Plan of Conversion and the Restated Articles, but decide not to purchase any Common Stock. Or, you may vote against the Plan of Conversion and the Restated Articles, but decide to purchase Common Stock.

If for any reason both the Plan of Conversion and the Restated Articles are not approved by Eligible Members, the Conversion will not be completed, no Common Stock of Vericity will be sold, and your subscription rights will expire without any consideration.

Background and Reasons for the Conversion

Members Mutual believes that the state of the life insurance business in the United States currently presents it with the opportunity to extend its reach into its target market and provide affordable, accessible life insurance solutions to this market. With the development of its “**RAPID**Decision®” product portfolio and distribution processes that permit underwriting to be completed immediately or within 24 to 48 hours after the initial call, Fidelity Life has sought to make the sale of life insurance simpler and more efficient. Following its conversion into a mutual holding company structure in 2007, Members Mutual has examined ways to increase its access to capital in order to pursue increased marketing, acquisitions and organic growth of distribution and sales of life insurance to the middle market. In furtherance of this objective, Members Mutual acquired its agency subsidiary, Efinancial, LLC, in 2009. Since then, Members Mutual has examined various alternatives ranging from maintenance of the status quo, mergers with other mutuals, expansion or acquisition of other lines of business or companies and various forms of demutualization of Members Mutual permitted by Illinois law, and actively pursued certain of these alternatives at various times during that period. However, none of those prior efforts resulted in a consummated transaction.

After careful study and consideration, Members Mutual has concluded that the subscription rights method of demutualization, backstopped by a standby purchaser that will commit to purchase at least enough shares in the subscription rights conversion to ensure the successful completion of the conversion offering, best suits Members Mutual’s circumstances. In reaching this conclusion, the board of directors of Members Mutual considered the difficulty Members Mutual would have executing a stand-alone subscription rights conversion and existing as a stand-alone public company over the next several years, given its history and outlook of reported GAAP losses. Members Mutual also considered, among other things, that a subscription rights demutualization backstopped by a standby purchaser would provide an improved ability to access future capital as a publicly traded stock company, enable Members Mutual to seek to achieve scale and position it to execute against its middle market opportunity, and afford members an opportunity to participate in the success of Members Mutual through the purchase of stock.

In furtherance of these objectives, in January 2018 Members Mutual and its advisors began to identify parties who might be interested in acting as the standby purchaser for the conversion offering. After a competitive bidding process, in early July 2018, Members Mutual selected a private equity fund managed by J.C. Flowers & Co. LLC to act as the standby purchaser. On October 5, 2018, Members Mutual, Vericity and Fidelity Life entered into the standby stock purchase agreement with Apex Holdco L.P., an affiliate of J.C. Flowers IV L.P., a private equity fund managed by J.C. Flowers & Co. LLC, under which Apex Holdco L.P. (the standby purchaser) agreed to purchase the number of shares of common stock equal to the difference between 14,875,000 and the number of shares of common stock subscribed for in the subscription offering, as more fully described in the Prospectus.

The Prospectus contains additional information on the background and reasons for the Conversion.

The Appraisal

The Conversion Act and the Plan of Conversion require that the range of the value of the total number of shares to be issued in the Offerings must be based on an independent valuation (the “Appraisal”) of the estimated consolidated pro forma market value of Converted Members Mutual. Under the Plan of Conversion, the valuation must be in the form of a range consisting of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation and a valuation fifteen percent (15%) below the midpoint valuation. The Company retained Boenning & Scattergood, Inc. (“Boenning”) to determine the valuation range for the Offerings. Boenning has determined that, as of April 11, 2018, the estimated consolidated pro forma market value of Converted Members Mutual is \$175,000,000 at the midpoint, and the range of value of the total number of shares of Common Stock to be issued in the Offerings is between a minimum value of \$148,750,000 and a maximum value of \$201,250,000.

We determined to offer the Common Stock in the Subscription Offering at the price of \$10.00 per share (the “Purchase Price”), resulting in a range of 14,875,000 to 20,125,000 shares of Common Stock being offered in the Offerings.

The Appraisal is not intended and must not be construed as a recommendation of any kind as to the advisability of purchasing shares or as any form of assurance that, after the Conversion, the shares can be resold at or above the Purchase Price. The Appraisal considered a number of factors and was based upon estimates derived from those factors, all of which are subject to change from time to time.

Actuarial Opinion

The Company retained Milliman, Inc., an independent actuarial consulting firm, to advise the Company in connection with actuarial matters involved in the development of the Plan of Conversion and the establishment of the individual maximum purchase limitations. The opinion of Steven Schreiber, an independent consulting actuary associated with Milliman, dated July 31, 2018 (the “Milliman Opinion”), relating to the proposed allocation of subscription rights among Eligible Members in consideration for the extinguishment of their membership interests in Members Mutual, states (in reliance upon the matters described in such opinion) that the principles and methodology for allocating consideration among the Eligible Members and for allocating shares in the event of an oversubscription, each as set forth in the Plan of Conversion, are, fair and equitable from an actuarial point of view.

Amendment of Articles of Incorporation of Members Mutual

Following the adoption of the Plan of Conversion and the Restated Articles (that will, among other things, create and authorize the shares of capital stock of Converted Members Mutual) by the Eligible Members at the Special Meeting, the Restated Articles will be filed with and signed by the Illinois Director. After issuance of all of the shares of capital stock of Converted Members Mutual to Vericity, Converted Members Mutual will become a wholly-owned stock subsidiary of Vericity.

Effects of the Conversion on Members

In General. Each policyholder of Fidelity Life, as a member of Members Mutual, has certain interests in Members Mutual, including the contractual right to insurance coverage offered by Fidelity Life and the right to vote when provided by Members Mutual's articles of incorporation or bylaws or as provided by law. Except to the extent that a membership interest is deemed to have value in connection with the conversion of an insurance company from mutual to stock form, this interest as a member has no market value because it cannot be separated from the underlying policy and, in any event, is not transferable. A policyholder of Fidelity Life whose policy lapses or is otherwise cancelled or terminated will lose his or her interest as a member of Members Mutual.

As of the completion of the Conversion, all membership interests in Members Mutual, but not contract rights under policies of insurance issued by Fidelity Life, will terminate. If the Plan of Conversion is not approved by the Eligible Members, or if the Conversion is not completed for any other reason, Members Mutual will continue to operate as a mutual insurance holding company. In that case, members will retain the rights described above.

Continuity of Insurance Coverage and Business Operations. The Conversion will not change the insurance protection or premiums under insurance policies issued by Fidelity Life. During and immediately following the Conversion, the normal business of issuing insurance policies will continue without change or interruption and Fidelity Life will continue to provide insurance coverage to policyholders under in-force policies.

Voting Rights. After the Conversion, the policyholders of Fidelity Life will no longer be members of Members Mutual and will no longer have the right to elect the directors of Members Mutual or approve transactions involving Members Mutual. Instead, voting rights in Members Mutual will be held by Vericity, which will own all of the outstanding capital stock of Members Mutual. Voting rights in Vericity will be held by the stockholders of Vericity, subject to the terms of the certificate of incorporation and bylaws of Vericity and to the provisions of the DGCL and federal law.

Policyholder Dividends. Following Fidelity Life's conversion from mutual to stock form in 2007 pursuant to a plan of conversion under Section 59.2 of the Illinois Insurance Code ("Fidelity Life Conversion Plan"), Fidelity Life has issued only non-participating (non-dividend paying) policies. All the previously issued participating policies remaining in force were included in a closed block for purposes of protecting the reasonable dividend expectations of the participating policyholders (the "Closed Block"). The establishment of the Closed Block was

intended to support the performance of Fidelity Life's obligations on policies included in the Closed Block, including payment of guaranteed benefits and non-guaranteed dividends as may be declared by Fidelity Life, consistent with reasonable dividend expectations for policies in the Closed Block. The Closed Block was comprised of such dividend paying policies together with all other non-dividend paying, participating policies issued prior to Fidelity Life's reorganization into the mutual holding form. The establishment of the Closed Block was not intended to cause the policies issued as participating with "no dividends expected" to become dividend paying policies. The consummation of the Plan of Conversion and the transactions contemplated thereby shall not affect the operation of the Closed Block, and the Closed Block shall continue to be operated by Fidelity Life in accordance with the Fidelity Life Conversion Plan.

Rights Upon Dissolution After Conversion. After the Conversion, persons who were members of Members Mutual will no longer have the right to receive a pro rata distribution of any remaining surplus of Converted Members Mutual in the event of its dissolution. Instead, this right will vest in Vericity as the sole shareholder of Converted Members Mutual. In the event of a liquidation, dissolution or winding up of Vericity after the Conversion, shareholders of Vericity would be entitled to receive, after payment of all debts and liabilities of Vericity, a pro rata portion of all assets of Vericity.

Restrictions on Transfer of Subscription Rights and Shares

Subscription rights granted under the Plan of Conversion are not transferable. Accordingly, no person receiving subscription rights under the Plan of Conversion may transfer or enter into any agreement or understanding to transfer the legal or beneficial ownership of those subscription rights or the shares of Common Stock to be issued upon their exercise. Subscription rights may be exercised only for the account of the person receiving those rights under the Plan of Conversion. A person subscribing to Common Stock by exercise of subscription rights received under the Plan of Conversion will be required to certify that he or she is purchasing the shares solely for his or her own account and also that there is no agreement or understanding with any other person regarding the sale or transfer of such shares.

Shares of Vericity Common Stock purchased in the Subscription Offering will thereafter be freely transferable under the 1933 Act; provided, however, the transfer of shares purchased by the directors and officers of Members Mutual will be restricted for a period of one year from the effective date of the Conversion pursuant to the Plan of Conversion and the Conversion Act. The directors and executive officers of Vericity also are subject to additional resale restrictions under Rule 144 of the 1933 Act. The shares purchased by the Standby Purchaser will be restricted securities and subject to resale limitations under applicable law.

Tax Effects

For a discussion of the material United States federal income tax consequences of the conversion to Members Mutual and to an Eligible Member of Members Mutual, see the section titled "Federal Income Tax Considerations" in the accompanying Prospectus.

Interpretation of the Plan of Conversion

All interpretations of the Plan of Conversion by a majority of the Board of Directors of Members Mutual will be final, subject to the limitations of applicable law.

Profit Sharing Arrangement

As described in greater detail in the Prospectus, the directors and certain officers of Members Mutual will be eligible to participate in a profit sharing arrangement sponsored by the Standby Purchaser that will be payable in the event of a future sale of Vericity.

Adjournment

In the event that there are not sufficient votes to constitute a quorum or to approve the proposal to approve the Plan of Conversion and/or the Restated Articles at the Special Meeting, the proposals could not be approved unless such meeting was adjourned or postponed to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by the Company at the time of the Special Meeting to be voted for adjournment or postponement, you are being asked to consider a proposal to approve the adjournment or postponement of the Special Meeting, if necessary or appropriate, including to permit further solicitation of proxies if necessary to obtain additional votes in favor of the proposals.

If there are sufficient votes to constitute a quorum and approve the proposal to approve the Plan of Conversion and the Restated Articles at the Special Meeting, the chairman of the Special Meeting may determine that no action will be taken on the proposal to adjourn.

* * * * *

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that you vote “FOR” approval of the Plan of Conversion, “FOR” approval of the Restated Articles, and “FOR” the adjournment of the special meeting, if necessary, to solicit additional proxies.

PLEASE NOTE: A vote in favor of the Plan of Conversion does not mean that you must purchase Common Stock in the Subscription Offering, and a vote against the Plan of Conversion does not mean you may not purchase Common Stock in the Subscription Offering. You may vote in favor of the Plan of Conversion and decide not to purchase Common Stock in the Subscription Offering. You may also vote against the Plan of Conversion and decide to purchase Common Stock in the Subscription Offering. If the Plan of Conversion and the Restated Articles are not approved by the Eligible Members, the Conversion will not be completed, and no Common Stock will be sold.

ADDITIONAL INFORMATION

WE URGE YOU TO CONSIDER CAREFULLY THIS PROXY STATEMENT, INCLUDING PARTICULARLY THE PROSPECTUS THAT ACCOMPANIES THIS PROXY STATEMENT. WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE SPECIAL MEETING, WE REQUEST THAT YOU FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE TO ASSURE THAT YOUR VOTE WILL BE COUNTED. THIS WILL NOT PREVENT YOU FROM VOTING IN PERSON IF YOU ATTEND THE SPECIAL MEETING. YOU MAY REVOKE YOUR PROXY BY WRITTEN INSTRUMENT DELIVERED TO MEMBERS MUTUAL AT ITS PRINCIPAL EXECUTIVE OFFICES (ATTN: CORPORATE SECRETARY) AT ANY TIME PRIOR TO OR AT THE SPECIAL MEETING OR BY ATTENDING THE SPECIAL MEETING AND VOTING IN PERSON. YOUR PROXY SHOULD BE COMPLETED, SIGNED AND MAILED USING THE ENCLOSED ENVELOPE SO THAT IT IS RECEIVED ON OR BEFORE _____, 2019. ALTERNATIVELY, YOU MAY VOTE BY TELEPHONE OR VIA THE INTERNET, FOLLOWING THE INSTRUCTIONS INCLUDED WITH THE PROXY CARD.

THIS PROXY STATEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY VERICITY COMMON STOCK. SUCH OFFERS MAY BE MADE ONLY BY THE PROSPECTUS.

A copy of the Plan of Conversion is attached hereto as Exhibit A and a copy of the Restated Articles is attached hereto as Exhibit B. The Appraisal report, the Milliman Opinion and a copy of the standby stock purchase agreement are on file and available for inspection at the principal executive offices of the Company, and are attached as exhibits to the registration statement of which the Prospectus accompanying this Proxy Statement is a part, on file with the Securities and Exchange Commission and available to the public on the SEC's website at <http://www.sec.gov>.

Proxies may be solicited by officers, directors or other employees or representatives of the Company and its affiliates, in person, by telephone or through other forms of communication. Such persons will be reimbursed by the Company only for their expenses incurred in connection with this solicitation.

* * *

**THIS PROXY IS SOLICITED ON BEHALF OF THE
BOARD OF DIRECTORS OF MEMBERS MUTUAL
HOLDING COMPANY**

The undersigned hereby appoints James Hohmann and John Buchanan, and each of them acting singly, with full power of substitution, to act as proxies for and in the name of the undersigned, to vote such votes as the undersigned may be entitled to cast at the Special Meeting of Members (the “Special Meeting”) of Members Mutual Holding Company (“Members Mutual”) to be held on _____, 2019, :00 .m., local time, at _____, [city], [state], and at any adjournment or postponement thereof. The proposals that the undersigned is entitled to vote at the Special Meeting are as follows:

- (1) **FOR** or **AGAINST** the adoption and approval of the Members Mutual Holding Company Plan of Conversion From Mutual Holding Company to Stock Form (the “Plan of Conversion”), pursuant to which Members Mutual would convert from mutual holding company to stock form, as described in more detail in the enclosed Proxy Statement;
- (2) **FOR** or **AGAINST** the adoption and approval of the Amended and Restated Articles of Incorporation of Members Mutual (the “Restated Articles”), providing for the authorization and issuance of the capital stock of Members Mutual upon its conversion from mutual to stock form; and
- (3) **FOR** or **AGAINST** the proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Plan of Conversion and the Restated Articles.

THIS PROXY, IF PROPERLY SIGNED, WILL BE VOTED IN THE MANNER DIRECTED ON THE REVERSE SIDE. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE PROPOSALS STATED ABOVE. VOTING IN FAVOR OF THE PLAN OF CONVERSION WILL NOT OBLIGATE YOU TO PURCHASE COMMON STOCK IN THE SUBSCRIPTION OFFERING (AS DESCRIBED IN THE PROXY STATEMENT). THIS PROXY WILL BE VOTED, IN THE DISCRETION OF THE PROXYHOLDERS, UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE SPECIAL MEETING. AT THE PRESENT TIME, MANAGEMENT IS NOT AWARE OF ANY OTHER BUSINESS TO BE CONSIDERED AT THE MEETING.

PLEASE PROMPTLY COMPLETE, SIGN AND DATE THIS PROXY CARD ON THE REVERSE AND RETURN IT IN THE ENCLOSED PROXY REPLY ENVELOPE.

D Fold and detach the above Proxy Card here D

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE
PROPOSALS.**

**YOU MAY RECEIVE MORE THAN ONE PACKET OF MATERIAL.
PLEASE VOTE ALL PROXY CARDS RECEIVED. YOU MAY RETURN ALL PROXY
CARDS RECEIVED IN ONE ENVELOPE.**

**MEMBERS MUTUAL HOLDING COMPANY
CARD**

PROXY

CONTROL NUMBER

☒ Please mark your vote as in this example.

- 1. The adoption and approval of the Plan of Conversion.
- 2. The adoption and approval of the Restated Articles.
- 3. The proposal to adjourn the Special Meeting.

FOR	AGAINST
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby acknowledges receipt of the Proxy Statement dated _____, 2019 and hereby revokes any prior proxies given. (PLEASE DATE, SIGN AND RETURN THIS PROXY IN THE ENCLOSED PROXY REPLY ENVELOPE)

Signature

Date

Please sign exactly as your name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If an account is held jointly, each holder may sign but only one signature is required.

D

Fold and detach the above Proxy Card here

D

YOUR VOTE IS IMPORTANT!

Internet and telephone voting are quick and simple ways to vote, available through

x:xx p.m., Central Time, on [month day], 2019.

If you vote by Internet or by phone, you do NOT need to return your Proxy Card by mail.

VOTE BY INTERNET	VOTE BY MAIL	VOTE BY PHONE(TOLL FREE)
<p>[COMPUTER GRAPHIC]</p> <p><u>www.proxyvotenow.com/FidelityLife</u></p> <p>Have your proxy card(s) in hand when you access the web site. You will need to enter online the Control Number from the shaded box above. (Each proxy card has a unique Control Number).</p>	<p>[ENVELOPE GRAPHIC]</p> <p>Vote, sign and date your proxy card and return it in the enclosed blue proxy reply envelope.</p> <p>YOU MAY RETURN ALL PROXY CARDS RECEIVED IN ONE ENVELOPE.</p>	<p>[PHONE GRAPHIC]</p> <p>(866) xxx-xxxx</p> <p>Have your proxy card(s) in hand when you call the voting number. You will need to enter the Control Number from the shaded box above. (Each proxy card has a unique Control Number).</p>



One Pennsylvania Plaza
38th Floor
New York, NY 10119
USA

March 25, 2019

Tel +1 646 473 3000
Fax +1 646 473 3299

milliman.com

The Board of Directors
Members Mutual Holding Company
8700 W. Bryn Mawr Avenue, Ste 9005
Chicago, IL 60631

Re: Second Amended and Restated Plan of Conversion from Mutual Holding Company Form to Stock Form

STATEMENT OF ACTUARIAL OPINION

Subject of this Opinion Letter

This opinion letter relates to the actuarial aspects of the proposed reorganization of Members Mutual Holding Company (“Members Mutual”) from a mutual holding company form to a stock form pursuant to its Second Amended and Restated Plan of Conversion (“Plan”) approved (on July 31, 2018) and subsequently amended (on September 16, 2018, and on March 25, 2019) by the Board of Directors of Members Mutual. The specific opinions set forth herein reaffirm and update my prior opinion dated July 31, 2018, relating to the proposed allocation of Subscription Rights among Eligible Members which is in consideration of the extinguishing of any voting and other membership rights.

Capitalized terms have the same meaning in this opinion as they have in the Plan.

Qualifications and Use

I, Steven I. Schreiber, am associated with the firm of Milliman, Inc. (“Milliman”) and am a Member of the American Academy of Actuaries, qualified under the Academy’s Qualification Standards to render the opinion set forth herein. I, and staff acting under my direction, have advised Members Mutual during the course of its development of the Plan, the Actuarial Contribution Principles and Methodologies document (attached as Exhibit B to the Plan), and the Actuarial Contribution Memorandum (attached as Exhibit C to the Plan). The Plan is based on authority in Section 59.1 of the Illinois Insurance Code. The opinion set forth herein is not a legal opinion concerning the Plan but rather reflects the application of actuarial concepts and standards of practice to the allocation of Subscription Rights to Eligible Members. My opinion does not cover aspects of the Plan, as allowed by the Illinois Insurance Code, whereby Subscription Rights or shares, under certain circumstances, may be made available to other than Eligible Members.

I am aware that this opinion letter will be furnished to the Director of the Illinois Insurance Department for the Director's use in determining the fairness of the Plan and in making the required findings under Section 59,1(3Xa) with respect thereto, and I consent to the use of this letter for that purpose.

Existing Relationship

Members Mutual and its life insurance company Fidelity Life are existing clients of Milliman. Milliman was involved in the mutual holding company formation of Members Mutual in 2006, and actuaries from Milliman have performed the periodic review of Fidelity Life's Closed Block formed at the time of the mutual holding company formation. A different team of Milliman consultants also performed actuarial work for Members Mutual as part of discussions with potential Standby Purchasers. In addition, Milliman has performed other work for Members Mutual and Fidelity Life unrelated to the current Plan of Conversion.

Reliance

In forming the opinions set forth in this letter, I have received from Members Mutual extensive information concerning Fidelity Life's past and present practices and financial results, as well as rosters of policies in force on the Adoption Date. I, and other Milliman staff acting under my direction, met with Members Mutual personnel and defined the information we required; in all cases, we were provided with the information we requested to the extent that it was available or could be developed from Fidelity Life's records. I have made no independent verification of this information, although I or my staff have reviewed it for general reasonableness and internal consistency where practical. I have relied on this information, which was provided under the general direction of Marc Cagen, Chief Actuary of Fidelity Life. My opinion depends on the substantial accuracy of this information.

Process

I, and Milliman staff acting under my direction, either conducted the analyses on which my opinion rests or reviewed work developed by Fidelity Life under the supervision of Marc Cagen.

Opinion

In my opinion, the principles, methodologies, and the allocation instructions for allocating consideration among Member Mutual's Eligible Members, as set forth in paragraph 2.26, Exhibit B, and Exhibit C of the Plan, and for allocating available shares in the event of an oversubscription, as set forth in paragraph 5.(a) of the Plan, are fair and equitable from an actuarial point of view.

Discussion

Statutory guidance. Section 59.1 of the Illinois Insurance Code specifies subscription rights to purchase shares in a demutualizing insurance company as the default form of consideration. Specifically, Section 59.1(6)(c)(i) states that “The plan shall provide that each eligible member is to receive, without payment, nontransferable subscription rights to purchase a portion of the capital stock of the converted stock company.” This is the approach followed by the Plan. In addition, Section 59.1(6)(c)(ii) states that “The subscription rights shall be allocated in whole shares among eligible members using a fair and equitable formula. This formula may but need not take into account how the different classes of policies of the eligible members contributed to the surplus of the mutual company.” Section 59.1(6)(c)(iii) places a limit on the amount of stock “that any one person or group of persons acting in concert” may acquire, through public offering or subscription rights, during the first five years following the conversion at 50% of the capital stock of the converted stock company except with the approval of the Director.

General description of the method of allocation of consideration among Eligible Members. The Plan follows an approach for allocating consideration (in this case, subscription rights) similar to that used in most prior life insurance demutualizations in the U.S. Specifically, each Eligible Member is allocated a Fixed Component of consideration (in this case, 100 Subscription Rights), regardless of the number of Qualifying Policies owned by such Eligible Member in the same capacity, plus a variable number of Subscription Rights (the Variable Component), if any, determined based on actuarial formulas that take into account the past and anticipated future contributions to Fidelity Life’s surplus (“actuarial contributions”) of all of the Eligible Member’s Qualifying Policies that were in force on the Adoption Date.

Appropriateness of the Fixed Component. As described earlier, each Eligible Member will be allocated a fixed number of Subscription Rights without regard to the number of Qualifying Policies owned by such Eligible Member and without regard to the amount of actuarial contributions associated with each Qualifying Policy owned by such Eligible Member. The Fixed Component is 100 Subscription Rights per Eligible Member. This element of the allocation assures that each Eligible Member will receive some consideration, and is consistent with overall concepts of equity. As discussed in Exhibit B, Members Mutual’s intention is that the aggregate of the Fixed Component shares summed across all Eligible Members will represent approximately 20% of the aggregate consideration, which is consistent with historical precedents (outside of distress situations), where the Fixed Component has commonly been in the 10% -30% range of the total allocation.

Appropriateness of the “actuarial contribution” method. The majority of the consideration to be tenaciously allocated among Eligible Members is the aggregate Variable Component, which is allocated based on “actuarial contributions.” The actuarial contribution method is recognized in the actuarial literature as an appropriate allocation method. In particular, Actuarial Standard of Practice No. 37 (“ASOP 37”), which is the authoritative guidance for actuaries on this subject, states in part, “The variable component of consideration should be allocated on the basis of the

actuarial contribution.” ASOP 37 defines “actuarial contribution,” in relevant part, to be “The contributions that a particular policy or class of similar eligible policies has made to the company’s statutory surplus . . . plus the present value of contributions that the same policy or class of similar eligible policies is expected to make in the future.” In developing the actuarial contributions, ASOP 37 does allow a company to take into account both administrative feasibility and imperfections in available data. The approach followed in the Plan is consistent with the approach specified in ASOP 37. I do note that the allocation to a few Eligible Members may be reduced in order to comply with the legal requirement referenced above that no person may acquire in the Offerings more than 50% of the shares of the company’

Oversubscription. Paragraph 5(a) of the Plan describes the process to be followed in the event of an oversubscription for shares of Common Stock by first making available to subscribing Eligible Members an amount of shares to permit each such Eligible Member to purchase a number of shares equal to the Fixed Component (or any lesser number of shares actually subscribed for by such Eligible Member). Any remaining shares will be allocated among subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion to which the aggregate number of shares as to which each such Eligible Member’s subscription remains unsatisfied bears to the aggregate number of shares as to which all such Eligible Members’ subscriptions remain unsatisfied. There are no actuarial standards of practice relating to oversubscriptions, but the approach defined in the Plan, whereby each Eligible Member who accepts the subscription offer can get at least the Fixed Component, with the balance allocated in a manner fundamentally related to the Variable Component is a reasonable approach.

Sincerely,

/s/ Steven Schreiber, FSA, MAAA

Steven Schreiber, FSA, MAAA
Principal & Consulting Actuary

January 14, 2019

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631

Ladies and Gentlemen:

I hereby consent to being named as a person who will serve as a director of Vericity, Inc. (the “Company”) in the Registration Statement on Form S-1 of the Company upon completion of the Company’s offering of its common stock as described in such registration statement.

Sincerely,

/s/ Neil Ashe

Neil Ashe

January 14, 2019

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631

Ladies and Gentlemen:

I hereby consent to being named as a person who will serve as a director of Vericity, Inc. (the “Company”) in the Registration Statement on Form S-1 of the Company upon completion of the Company’s offering of its common stock as described in such registration statement.

Sincerely,

/s/ Calvin Dong

Calvin Dong

January 14, 2019

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631

Ladies and Gentlemen:

I hereby consent to being named as a person who will serve as a director of Vericity, Inc. (the “Company”) in the Registration Statement on Form S-1 of the Company upon completion of the Company’s offering of its common stock as described in such registration statement.

Sincerely,

/s/ Scott Perry

Scott Perry

January 14, 2019

Vericity, Inc.
8700 W. Bryn Mawr Avenue, Suite 900S
Chicago, Illinois 60631

Ladies and Gentlemen:

I hereby consent to being named as a person who will serve as a director of Vericity, Inc. (the “Company”) in the Registration Statement on Form S-1 of the Company upon completion of the Company’s offering of its common stock as described in such registration statement.

Sincerely,

/s/ Eric Rahe

Eric Rahe