

STATE OF OHIO
DEPARTMENT OF INSURANCE

In the Matter of

**The Plan of Reorganization of THE UNION
CENTRAL LIFE INSURANCE COMPANY**

No. _____

PRE-FILED DIRECT TESTIMONY OF:

Lawrence J. Arth
Chairman, President and Chief Executive Officer
The Ameritas Acacia Companies

Date: October 18, 2005

I. INTRODUCTION

Q: Please state your name for the record.

A: Lawrence J. Arth.

Q: Mr. Arth, where do you currently work and what is your position there?

A: I am the Chairman, President and Chief Executive Officer of The Ameritas Acacia Companies ("Ameritas Acacia").

Q: What previous positions have you held with The Ameritas Acacia Companies?

A: I joined Ameritas Life Insurance Corp. in 1968 as a mortgage loan assistant. In the thirty-seven years since then, I have held various leadership positions within the financial department, including Senior Vice President of Investments and Treasurer. In 1988, I was elected President and Chief Operating Officer of Ameritas, a position I held until I was elected Chairman of the Board and Chief Executive Officer of the Insurance Company in 1995.

Q: Please briefly describe your educational background.

A: I received a bachelor's degree in business administration from the University of Nebraska - Lincoln in 1965. After two years in the United States Navy, I returned to the University of Nebraska and received a master's of business administration in 1969. I am also a Chartered Financial Analyst.

Q: Do you belong to any professional organizations?

A: Yes. Among other things, I am the Director and a Member of the Finance Committee and PAC Board for the American Council of Life Insurers and I am Chairman of the Board and a Director of the Life Office Management Association, Inc.

II. BACKGROUND ON THE AMERITAS ACACIA COMPANIES

Q: Please summarize the history of the Ameritas Acacia Companies and their business operations.

A: Ameritas Acacia is a mutual insurance holding company formed effective January 1, 1999 as a result of a merger between Acacia Mutual Holding Company and Ameritas Mutual Insurance Holding Company. Ameritas Acacia Mutual Holding Company, through an intermediate holding company, indirectly owns 100% of the stock of both Ameritas Life Insurance Corp. ("Ameritas Life") and Acacia Life Insurance Company ("Acacia Life").

Ameritas Life was formerly known as Bankers Life Insurance Company of Nebraska, and was originally incorporated as a stock insurance company under the laws of Nebraska in 1887. Ameritas Life began operating as a mutual insurance company in 1949. It became the fifth mutual life insurance company in the United States to reorganize under the mutual insurance holding company laws, completing its reorganization effective January 1, 1998. Ameritas Life and its subsidiaries provide a broad range of life and annuity products for individuals and businesses. The principal products of the Ameritas Life Group include term life, variable life and annuity contracts, and a low load series of universal and variable life and variable annuity products. In addition, Ameritas Life is well-known for its group dental and eyecare products and services.

Acacia Mutual Life Insurance Company, chartered by a Special Act of Congress in 1869, was the third mutual life insurance company in the United States to reorganize into the mutual insurance holding company form. That reorganization was completed effective

June 30, 1997. Acacia Life provides a broad range of fixed life insurance products for individuals and businesses, including traditional whole life, universal life, and fixed annuities.

III. EVALUATION OF POTENTIAL BUSINESS COMBINATION BETWEEN AMERITAS ACACIA AND UNION CENTRAL

Q: Explain how Ameritas Acacia and Union Central began considering a potential business combination between the companies.

A: Neither company approached the other about a potential business combination. During the course of other discussions between the companies, it became apparent to management at Ameritas Acacia and Union Central that both companies could potentially benefit from an alliance or business combination between them.

Q: Why did management believe the companies might benefit from an alliance or business combination?

A: The respective lines of businesses of Ameritas Acacia and Union Central were complementary, and there were synergies that could be realized to the advantage of both companies. Ameritas Acacia and Union Central also believe that their senior management teams are compatible and the companies have similar values and business philosophies. The guiding principles of The Ameritas Acacia Companies are to operate with integrity, exceed customer expectations, be the employer of choice, uphold good citizenship, and build futures for ourselves and others. Ameritas Acacia believes that Union Central shares these guiding principles. Like Union Central, Ameritas Acacia is a member of the Insurance Marketplace Standards Association, and each company adheres

to policies and procedures that demonstrate a commitment to honesty, fairness and integrity in all customer contacts.

Q: Describe the evaluation process between Ameritas Acacia and Union Central?

A: After the companies realized they might benefit from a business combination, John Jacobs, the Chairman, CEO, and President of Union Central, and I began the process of evaluating a potential combination. In the spring of 2004, Mr. Jacobs and I, along with another senior executive from each company, met and discussed the possibility on a preliminary basis. In August 2004, senior executives of both companies met to discuss in more detail the possibility of a strategic partnership and the structure of a business combination. As discussions continued in September and October 2004, the parties began to develop preliminary terms upon which the business combination might be effected.

Q: Did you attend any meetings of the Union Central Board of Directors (the "Union Central Board") to discuss the potential business combination?

A: Yes. I attended a special meeting of the Union Central Board held on November 9, 2004. Outside advisors retained by Union Central were also present at the meeting.

Q: What did you discuss with the Union Central Board?

A: I presented to the Union Central Board the business case for the combination with Ameritas Acacia. Among other things, I described Ameritas Acacia's business and recent results of operations, and the potential benefits of the proposed transaction.

Q: What are the financial condition and financial strength ratings of Ameritas Acacia and its insurance companies?

A: As of December 31, 2004, Ameritas Life and Acacia Life maintain in excess of \$5.5 billion and \$2.6 billion, respectively, in consolidated assets, and equity in excess of \$839 million and \$539 million, respectively. Ameritas Life is rated 'A^{g*}' (Excellent) by A.M. Best, the third highest rating of fifteen ratings; 'AA-' (Very Strong) by S&P, the fourth highest of S&P's twenty-one ratings; and 'A1' by Moody's, the seventh highest of twenty-seven ratings. These ratings were affirmed upon announcement of the Merger. After the Merger, as a result of the formation of a larger organization with greater financial resources, we expect these financial strength ratings to improve. The Merger Agreement contains provisions whereby the companies have agreed to provide the capital support to maintain and improve their respective financial strength ratings to a level equal to or better than the current S&P rating, which is expected to continue to be at least AA-.

IV. ROLE FOLLOWING REORGANIZATION

Q: Will you have a role in the UNIFI companies after the Reorganization? If so, what role will you have?

A: At the effective time of the Reorganization, UNIFI Mutual Holding Company ("UNIFI") and Ameritas Holding Company ("AHC") will cause me to serve as Chairman and Chief Executive Officer of UNIFI and AHC. I will continue to serve in these capacities until no later than July 31, 2008. The UNIFI and AHC Boards will cause John Jacobs, who is currently the Chairman, CEO, and President of Union Central, to be elected and appointed to these positions to immediately succeed me no later than July 31, 2008.

V. UNION CENTRAL'S ROLE IN THE UNIFI STRUCTURE AND IN ITS OWN FUTURE

Q: Mr. Arth, describe the role Union Central will have in its own future and in the UNIFI organization after the Reorganization.

A: After the Reorganization, Union Central will continue to have a significant role in its own future, and within the UNIFI organization. For at least six years after the effective time of the Reorganization, Union Central will continue to operate as an independent insurance company subsidiary of UNIFI. During at least that time, Union Central will have continued representation on the Boards of UNIFI and AHC, and a supermajority vote of 80% will be required before certain actions can be taken. In addition, as I mentioned, the UNIFI and AHC Boards will cause Mr. Jacobs to succeed me as Chairman and CEO of UNIFI and AHC no later than July 31, 2008, which is well in advance of the end of that six-year period. Other senior executives of Union Central will also have key roles at UNIFI and AHC.

In addition, Ameritas Acacia and Union Central agreed that one of the major principles that would form the basis for a potential combination was that the combined company would adopt One Company Marketing as its core marketing strategy for individual insurance products and retirement plans. One Company Marketing is currently Union Central's primary operating strategy.

VI. AMERITAS ACACIA'S SATISFACTION OF CONDITIONS PRIOR TO CONSUMMATION OF THE MERGER

Q: Was Ameritas Acacia required to satisfy any conditions prior to consummation of the Merger?

A: Yes. Consummation of the Merger is subject to the satisfaction of a number of conditions, which I understand are set forth in the Policyholder Information Booklet

distributed to Union Central policyholders and the Membership Information Booklet distributed to Ameritas Acacia's members. These conditions include: (1) approval of the Merger by Ameritas Acacia members; (2) receipt of certain regulatory approvals, including the approval of the Nebraska Director of Insurance (the "Nebraska Director"); and (3) the receipt by Ameritas Acacia of a private letter ruling from the Internal Revenue Service or an opinion of counsel to the effect that the Merger will be treated for federal income tax purposes as a Section 368(a) reorganization.

Q: Have Ameritas Acacia members approved the Merger?

A: Yes, the Ameritas Acacia members overwhelmingly approved the Merger at the Special Members Meeting held on September 29, 2005, with more than 90% of members voting in favor of the Merger.

Q: Has the Nebraska Director approved the Merger?

A: Yes. The Nebraska Director approved the Merger and issued an approval order dated July 19, 2005. The order is subject to certain conditions, including approval of the Reorganization by the Ohio Superintendent, approval by at least two-thirds of the Ameritas Acacia members who vote, and approval of the Reorganization by at least a majority of the Union Central members who vote.

In addition, the Nebraska Department of Insurance approved Ameritas Acacia's request to exempt it from the filing of a Form A Statement of Acquisition of Control pursuant to Nebraska law in connection with the Merger. In the exemption order, the Nebraska Department of Insurance reserved the power to re-examine the issue at a later date if new information should warrant.

Q: Has Ameritas Acacia received a private letter ruling from the Internal Revenue Service or an opinion of counsel to the effect that the Merger will be treated for federal income tax purposes as a Section 368(a) reorganization?

A: Yes, we received an opinion of counsel from Sidley, Austin, Brown & Wood.

Q: Mr. Arth, the Merger Agreement in Section 4.23 includes a representation and warranty of Ameritas Acacia relating to the so-called "AMAL" Joint Venture. Can you tell us what has transpired with AMAL since the Merger Agreement was executed and delivered?

A: Of course. A little background might be useful. "AMAL" is short for AMAL Corporation, an enterprise formed in 1996 as a joint venture between our subsidiary, Ameritas Life Insurance Company ("ALIC"), and what is now called AmerUS Life Insurance Company, a subsidiary of the AmerUS Group ("AmerUS"). AMAL owns 100% of Ameritas Variable Life Insurance Company ("AVLIC") and 100% of Ameritas Investment Corp ("AIC"), a registered broker/dealer, which entities were contributed to the joint venture by Ameritas Acacia affiliates. AmerUS contributed cash to the joint venture. Under the AMAL joint venture agreement, the parties and their respective affiliates agreed, with certain exceptions, to issue, sell, sponsor and provide the individual variable life products of AVLIC exclusively and not to pay any incentives to their respective distribution forces for selling any other variable life products. Until recently, Ameritas Acacia owned approximately 66% of the Common Stock of AMAL and AmerUS owned approximately 34%. The Ameritas Acacia ownership was divided between ALIC (52%) and Acacia Life Insurance Company (14%).

In connection with the proposed merger with Union Central, Ameritas Acacia began to consider how the individual variable life business of Ameritas Acacia and Union Central might be conducted after the merger. This led us to explore the possibility of acquiring AmerUS's interest in AMAL and terminating the joint venture since the joint venture agreement had some restrictions that might have affected UNIFI's marketing of the individual variable life products of Union Central. In order to pursue discussions with AmerUS, we requested a waiver from Union Central of the "ordinary course" covenant in the Merger Agreement. We then proceeded to negotiate and enter into an agreement with AmerUS to acquire their investment in AMAL for \$62,392,000 in cash, approximately the GAAP book value of their investment. AmerUS retained a 33.59% interest in AIC, the broker-dealer subsidiary of AMAL, which minority interest was valued by the parties at \$3,108,000. This transaction closed on September 26, 2005. In connection with the purchase, ALIC and AmerUS also entered into certain marketing arrangements pursuant to which AmerUS will continue to market the variable life products of AVLIC for a period of ten years. From September 26, 2005 forward, Ameritas Life and Acacia Life will capture 100% of the profit of AMAL, excluding the minority interest in AIC held by AmerUS. AVLIC and its affiliates, including Union Central, after the merger are free to issue and market their individual variable life products as they see fit.

VII. CONCLUSION

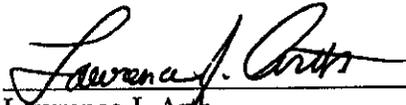
Q: Does that conclude your testimony?

A: Yes. The Ameritas Acacia Companies are excited about the unique opportunity presented by the Reorganization, and I look forward to working with Mr. Jacobs and his

employees. I want to thank the Superintendent and her staff for allowing me to discuss that opportunity at this public hearing.

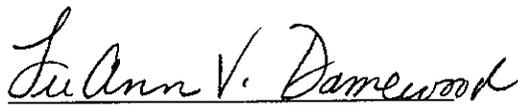
VERIFICATION

I, Lawrence J. Arth, say on oath or affirm that I have read the foregoing document and, to the best of my knowledge, believe all answers made in the document are true.



Lawrence J. Arth

SWORN BEFORE ME THIS 18th DAY OF OCTOBER, 2005.



Notary Public

