7A (c)(1)

Verne, B. Michael

From: [redacted]
Sent: Thursday, July 24, 2008 6:01 PM
To: Verne, B. Michael
Cc: [redacted]
Subject: Follow-up Inquiry re 802.1 issue

Hello Mike:

I have a follow-up question concerning the hypothetical presented to you by [redacted] on July 15, 2008 (attached below).

The purchaser in the transaction is primarily engaged in the purchase and reinsurance of inforce blocks of life insurance and annuities. Such acquisitions can be made by stock purchase, indemnity (bulk) reinsurance or assumption and novation. Regardless of the legal structure, the purchaser acquires the economic risks and benefits associated with the particular block acquired. The business is typically administered by independent service providers on behalf of the purchaser. Since 2005, the purchaser has made several acquisitions of inforce blocks of life insurance and annuities.

In the instant transaction, the economic substance is essentially that of an assumption reinsurance contract. Although the form of the transaction is a 100% stock purchase, the transaction has been structured to minimize the contingent liabilities to the buyer associated with owning the equity of the target, while exposing the buyer primarily to the insurance risk associated with the target's in-force, retained business (which is the seller's and buyer's shared objective). This allocation of risks and benefits is similar to that which would result if a reinsurance agreement, rather than a stock purchase agreement, had been entered into.

Prior to the closing, Company B will transfer its retained business and assets, other than the business that Buyer seeks to acquire, to its Parent.As a result, Company B will transfer to its Parent virtually all of the assets of the business aside from insurance policies, related reinsurance agreements and other contracts and investment assets backing the policy liabilities and surplus. This transfer will include real estate, hardware, software, furniture, fixtures etc. In addition, although Parent will exit the life insurance business through this transaction, we are advised that it will remain in the insurance business , through one of its controlled subsidiaries .

Under these facts, we believe that the acquisition will qualify as an exempt transaction under Rule 802.1 as an acquisition of goods in the ordinary course of business.

Please let us know if you agree with this analysis.

Thank you.

AGREE –
BM
7/25/08

ORIGINAL E - MAIL AND RESPONSE:

From: Verne, B. Michael [mailto:MVERNE@ftc.gov]
Sent: Tuesday, July 15, 2008 4:12 PM
To: [redacted]
Subject: RE: 802.1 exemption

Yes - if parent will continue in the insurance business, the acquisition of the life insurance portion could be in the ordinary course.

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