

June 8, 2005

Mr. B. Michael Verne
Premerger Notification Office
Bureau of Competition
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: 16 CFR 801.10: Proposed Assumption Reinsurance Transaction

Dear Michael:

I am writing to confirm the advice you gave to [REDACTED] and me in our conversation on Tuesday, May 24.

We described to you the following two-step transaction:

1. Insurance Company A will acquire the voting securities of a subsidiary ("Manager") of Insurance Company B. The value of the voting securities of Manager is less than \$10 million. Manager is the general partner and/or manager of the funds described in the next step and also provides certain investment advisory services.
2. In connection with the acquisition of Manager by Insurance Company A, Insurance Company B plans to transfer to Insurance Company A the sponsorship of several funds ("Funds") managed by Manager.
 - (a) The participants in a Fund include one or more entities holding variable annuity contracts.
 - (b) The variable annuity contract holders' investments are segregated in a Separate Account established by Insurance Company A relating to the Fund and reinvested in assets consisting of timberland or interests in a limited partnership which holds the Fund's timberlands.
 - (c) The variable annuities essentially entitle the holders to the value of the assets in the related Separate Account. Although Insurance Company A is the legal owner of the assets for tax and other purposes, the annuity holders are essentially the beneficial owners of the assets and Insurance Company A and/or Manager receives only fees for services.
 - (d) Insurance Company A proposes to accomplish the transfer of the annuity contracts and the related Funds to Insurance Company B by means of an assumption reinsurance transaction. In this sort of transaction, subject to receipt of any required approvals from contract holders and/or insurance regulators, the buyer assumes the entire obligation of the selling company for the contracts and also receives from the selling company certain reserves (in this case, the assets of the Separate Accounts) which support those obligations. Because the annuity contracts essentially entitle the holders to the value of the assets in the related Separate Account, there will be little, if

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any, difference between the present value of Insurance Company B's obligations under the annuity contracts and the value of the assets in the related Separate Account.

16 CFR 801.1(c)(7) provides that an insurance company holds all assets and voting securities held for the benefit of any general account of, or separate account administered by, the insurance company. While this might suggest that the value of the assets to be acquired would be at least the fair market value of the assets held in the relevant Separate Accounts, several of the published informal interpretations indicate that, in the context of an assumption reinsurance transaction, the Premerger Office staff has accepted the view that the value of the transferred assets is limited to the premium, if any, represented by the difference between the present value of the obligations assumed under the transferred insurance policies by the purchasing insurance company and the value of the reserves supporting those obligations which are transferred to the purchasing insurance company, plus the value, if any, of the "customer lists" obtained in the form of the identities of the owners and named insured on the policies.

As these informal interpretations addressed situations where the contracts being transferred were generally life insurance policies and the transferred reserves were generally cash (which, pursuant to 16 CFR 801.21(a), would not be considered an asset of the person from which it is acquired), we discussed whether the views described in the published informal interpretations would also apply to cases where (i) the transferred contracts were variable annuities, and (ii) the transferred reserves were assets the acquisition of which might not otherwise be exempt from notification.

You advised that the views described in the informal interpretations would apply under these circumstances. Accordingly, it appears that the value of the assets and voting securities to be acquired in the proposed transactions will be significantly less than the threshold amount which would require the parties to file notification of the transactions.

Please call me at [REDACTED] to confirm whether I have accurately summarized our conversation and your advice.

Very truly yours,

[REDACTED]

[REDACTED]

Agree -
Brunner
6/8/05

[REDACTED]