801.10(c)(2)

[redacted]

This [redacted] subject to the provisions of Section 7A([redacted] of the Clayton Act which restricts release under the Freedom of Information Act.

May 20, 1994

<u>VIA FACSIMILE</u> (202) 326-2050

MAY 23 10 15 AM '94
FEDERAL TRADE COMMISSION
PREMERGER NOTIFICATION OFFICE

Federal Trade Commission
Premerger Notification Office
Washington, D.C. 20580

Attention: Melea Epps (Room 309)

Re: Determination of Acquisition Price in an Assumption <u>Reinsurance Transaction</u>

Dear Ms. Epps:

This letter confirms my understanding of our conversation yesterday regarding the method for determining [redacted] U.S.C. § 18a (1976). This letter also confirms my understanding of our conversation regarding Rule 801.10, 16 C.F.R. § 801.10, and Interpretation No. 139 of <u>Premerger Notification Practice Manual (1991)</u> ("Interp. 139").

Brief Background of the Transaction

"Reinsurance" is the practice whereby a reinsurer agrees, in consideration for a reinsurance premium, to indemnify an insurance company against all or a portion of the liability underlying the insurance policies issued by the indemnified insurer. "Assumption reinsurance" is a form of reinsurance under which the contractual relationship with the insured, as well as all liabilities and policy administration responsibilities, pass to the reinsurer.

Brief Statement of the Question

A life insurance company ("A") seeks to acquire life insurance policies from an unaffiliated insurance company ("B") through an assumption reinsurance agreement (the "Agreement"). As consideration for the Agreement, A will assume the liabilities underlying the policies and B will transfer to A assets [redacted] does A calculate the acquisition price of the life insurance policies?

Interpretation of the Issue

The acquisition is similar to the acquisition of policies set forth in Interp. 139 except that the acquiring [redacted]

For purposes of section 7A(a)(3) of the Clayton Act, the assumption of policies by A is treated as an acquisition of contracts and, therefore, the acquisition price is determined by calculating any "premium" paid for the policies (contracts) as a whole plus the value of any customer lists obtained by A. If [redacted]

While acquisitions of mortgages, private placement debentures, publicly traded bonds and cash are generally not [redacted] A's purchase of insurance policies. The premium paid by A, if any, is equal to the difference between x) the present value of [redacted]

Upon your review of these facts I would appreciate it if you would call me at the above-referenced number so that we may discuss this further.

Very truly yours,

[redacted]

5/23/94 - Discussed w/ PS, who concurred that the letter correctly states current PNO policy. I called and informed [redacted] on 5/23/94 —