

1 BEFORE THE INSURANCE COMMISSIONER
2 OF THE STATE OF IOWA

3 - - - - - X
4 In the matter of the :
5 Application of Transamerica : (Iowa Code
6 Life Insurance Company : Chapter 521I)
7 (TLIC) for Approval of Its :
8 Plan of Division :
9 - - - - - X

COPY

10 BEFORE THE INSURANCE COMMISSIONER AND THE ATTORNEY
11 GENERAL OF THE STATE OF IOWA

12 - - - - - X
13 In the matter of the :
14 Application of Transamerica : (Iowa Code
15 Life Insurance Company : Chapter 521)
16 (TLIC) for Approval of the :
17 merger of Newly Formed :
18 Company with SCOR Global :
19 Life USA Reinsurance :
20 Company :
21 - - - - - X

22 TRANSCRIPT OF HEARING
23 (THIS TRANSCRIPT CONTAINS BOTH PUBLIC AND
24 CONFIDENTIAL INFORMATION)

25 Iowa Insurance Division
 1963 Bell Avenue
 Des Moines, IA
 Thursday, August 20, 2026

Met, pursuant to order, at 9:00 a.m.

 BEFORE: IOWA INSURANCE DIVISION
 COMMISSIONER DOUG OMMEN (Presiding)
 DEPUTY ATTORNEY GENERAL ED BULL, ESQ.
 MELISSA A. BURNS - CERTIFIED SHORTHAND REPORTER

1 APPEARANCES: 2 For the Iowa Insurance Division: 3 SHANNON L. SOLE, ESQ. 4 Faegre Drinker Biddle & Reath, LLP 5 801 Grand Avenue 6 33rd Floor 7 Des Moines, IA 50309 8 -and- 9 SCOTT M. KOSNOFF, ESQ. 10 Faegre Drinker Biddle & Reath, LLP 11 300 North Meridian Street 12 Suite 2500 13 Indianapolis, IN 46204 14 15 For Transamerica Life Insurance Company: 16 JEFFREY B. KORN, ESQ. 17 VANESSA C. RICHARDSON, ESQ. 18 KATHERINE HIGGINBOTHAM, ESQ. 19 Willkie Farr & Gallagher, LLP 20 787 Seventh Avenue 21 New York, NY 10019 22 -and- 23 G. THOMAS SULLIVAN, ESQ. 24 Nyemaster Goode, PC 25 700 Walnut Street Suite 1300 Des Moines, IA 50309 For SCOR Global Life USA Reinsurance Company: STEPHEN W. SCHWAB, ESQ. ANA CONES, ESQ. DLA Piper 444 West Lake Street Suite 900 Chicago, IL 60606 -and- THOMAS J. KINNEY, ESQ. MELISSA HOFFMAN, ESQ. Troutman Pepper Locke LLP 401 Ninth Street NW Suite 1000 Washington, D.C. 20004 -and- NICK CRITELLI, ESQ. Critelli Law, PC 317 Sixth Avenue Des Moines, IA 50309	1 APPEARANCES (Continued): 2 For American General Life Insurance Company and United States Life Insurance Company: 3 SUMAN CHAKRABORTY, ESQ. 4 KERIME S. AKOGLU, ESQ. 5 ELIZABETH PLATONOVA, ESQ. 6 MATTHEW PHILLIPS, ESQ. 7 Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, PC 8 919 Third Avenue 9 New York, NY 10022 10 -and- 11 RYAN KOOPMANS, ESQ. 12 Koopmans Law Group 13 500 East Court Avenue 14 Suite 420 15 Des Moines, IA 50909 16 Also Present: 17 ELIZABETH SIMPSON 18 Iowa Insurance Division 19 20 MEMBERS OF THE IOWA INSURANCE DIVISION LEGAL 21 TEAM 22 MEMBERS OF THE TRANSAMERICA LIFE INSURANCE 23 COMPANY LEGAL TEAM 24 25 MEMBERS OF THE SCOR GLOBAL LIFE USA REINSURANCE COMPANY LEGAL TEAM MEMBERS OF THE AMERICAN GENERAL LIFE INSURANCE COMPANY AND UNITED STATES LIFE INSURANCE COMPANY LEGAL TEAM OTHER INTERESTED PARTIES BOTH IN PERSON AND OVER MICROSOFT TEAMS
1 I N D E X 2 3 WITNESS: PAGE 4 Bonnie Gerst 5 Direct Examination by Ms. Richardson..... 46 6 Cross-Examination by Mr. Chakraborty..... 54 7 Cross-Examination by Ms. Sole..... 70 8 Examination by Commissioner Ommen..... 75 9 10 Brock Robbins 11 Direct Examination by Mr. Kinney..... 81 12 Cross-Examination by Mr. Chakraborty..... 88 13 Sean Hayward 14 Direct Examination by Mr. Kinney..... 91 15 Cross-Examination by Mr. Chakraborty..... 101 16 17 Laird Zacheis 18 Direct Examination by Ms. Higgenbotham..... 128 19 Cross-Examination by Mr. Chakraborty..... 133 20 Patricia Matson 21 Direct Examination by Mr. Kosnoff..... 143 22 Cross-Examination by Mr. Chakraborty..... 180 23 Examination by Commissioner Ommen..... 210 24 Redirect Examination by Mr. Kosnoff..... 213 25 EXHIBITS: RECEIVED All prefiled exhibits..... 15 (phonetic) indicates a phonetic spelling. {sic} indicates the text is as stated. Quoted text is as stated by the speaker.	1 P R O C E E D I N G S 2 3 COMMISSIONER OMMEN: Good morning to all 4 of you. We will go on the record. 5 I'm Commissioner Doug Ommen, and I will 6 be presiding over this hearing this morning. I will 7 be conducting it. With me is Deputy Attorney 8 General Ed Bull. He and I will serve together as 9 the Commission to consider applications for merger 10 under Iowa Code Chapter 521. He has agreed, 11 however, that I should serve as the presiding 12 officer for this consolidated hearing. 13 We are here in the matter of the 14 application of Transamerica Life Insurance Company 15 for the approval of its Plan of Division pursuant to 16 Iowa Code Chapter 521I and a simultaneous merger of 17 the resulting newly formed company with SCOR Global 18 Life USA Reinsurance Company. 19 Notice of hearing was issued previously 20 in conformance with Chapter 17A requirements. The 21 notice included, but was not limited to, the 22 following information: The date and time, location, 23 the nature of the hearing, the legal authority and 24 issues presented, as well as the statutes and rules 25 involved. Since the time the notice was issued,

Page 6 1 American General Life Insurance Company and United 2 States Life Insurance Company have been granted 3 leave to intervene in this matter. 4 The matters before us involve two 5 procedures. A Plan of Division under Iowa Code 6 Chapter 521I and a Plan of Merger under Iowa Code 7 521. 8 Pursuant to Iowa Code 521I.8(2), the 9 hearing we are conducting pursuant to Iowa Code 10 Chapter 521I is a contested case governed by Iowa 11 Code Chapter 17A. Likewise, the hearing we're 12 conducting pursuant to 521 is also a contested case 13 governed by Iowa Code Chapter 17A. 14 The decision concerning approval of the 15 Plan of Division is vested in the Insurance 16 Commissioner. The decision concerning the approval 17 of a merger is vested in a Commission with two 18 members. The Insurance Commissioner and the 19 Attorney General. On July 31, the Deputy Attorney 20 General did designate me to preside over this 21 consolidated hearing. 22 While there are formalities in this 23 proceeding, so the record is clear, when you address 24 me or are seeking my attention feel free to simply 25 address me as Commissioner.	Page 7 1 When the notice of hearing in this matter 2 was issued in this case on May 12, we began with 3 three parties: Transamerica Life Insurance Company, 4 the applicant in both matters; the Iowa Insurance 5 Division to whom I have delegated investigative and 6 legal analysis functions in the prehearing 7 regulatory reviews in this matter; and SCOR Global 8 Life USA Reinsurance Company. 9 On July 31st, 2026, American General Life 10 Insurance Company and the United States Life 11 Insurance Company filed a motion to intervene. For 12 simplicity in this proceeding, I will refer to them 13 collectively as American General. American 14 General's motion to intervene was granted on 15 August 5, 2026. 16 So, with that background, I'm going to 17 call for entries of appearance. I know there are a 18 number of lawyers assembled in this room. What I'm 19 looking for is really for the benefit of the court 20 reporter. So, if you plan to present evidence or 21 examine witnesses or make either opening or closing 22 comments, I would like your entries of appearance. 23 With that, I'll begin first with 24 Transamerica. 25 MR. KORN: Thank you, Commissioner. My
Page 8 1 name is Jeffrey Korn with Willkie Farr & Gallagher. 2 MS. RICHARDSON: Good morning. I'm 3 Vanessa Richardson. Also with Willkie Farr. 4 MS. HIGGENBOTHAM: Good morning. I'm 5 Katherine Higgenbotham also with Willkie Farr. 6 MR. SULLIVAN: I'm Tom Sullivan from the 7 Nyemaster law firm. 8 COMMISSIONER OMMEN: Good morning. 9 Who is appearing on behalf of SCOR? 10 MR. CRITELLI: Mr. Commissioner, Nick 11 Critelli from Des Moines, Iowa, on behalf of SCOR. 12 My lead counsel, this is Stephen Schwab. And I'll 13 list them for the court reporter. Tom Kinney, 14 Melissa Hoffman, Ana Condes. 15 COMMISSIONER OMMEN: And those are the 16 attorneys that will be presenting evidence? 17 MR. CRITELLI: Yes, sir. 18 COMMISSIONER OMMEN: Thank you, sir. 19 And who is appearing on behalf of the 20 Insurance Division? 21 MS. SOLE: Shannon Sole, Faegre Drinker 22 Biddle & Reath. 23 MR. KOSNOFF: And Scott Kosnoff, Faegre 24 Drinker. 25 COMMISSIONER OMMEN: Good morning to you.	Page 9 1 And who is appearing on behalf of 2 American General? 3 MR. CHAKRABORTY: Good morning, 4 Commissioner. Suman Chakraborty, Mintz, Levin, 5 Cohn, Ferris, Glovsky & Popeo. I'll be presenting 6 on behalf of AGL. 7 With me are Kerime Akoglu, Matt Phillips, 8 and Elizabeth Platonova. Along with Ryan Koopmans. 9 I'd also like to introduce Matt Fillo of Corebridge 10 Financial sitting in the corner, who is deputy 11 general counsel and senior vice president of 12 Corebridge. But I'll be doing all the presentation 13 today. 14 COMMISSIONER OMMEN: Thank you very much. 15 With that, I've got some other remarks to 16 make. I know we're going to have a full day, so 17 I'll try to keep them brief, but I would like to 18 make recognition of the fact that this public 19 hearing is available with virtual participation. 20 Although I've been advised, and having 21 seen the record, there's a lot of material in here 22 that I expect will be received in a confidential 23 manner pursuant to the laws that permit financial 24 information to be protected in that way. 25 In order to conduct this hearing

Page 10 1 virtually, it's my understanding that there will be 2 a number of people participating by Teams. It's my 3 understanding that 35 individuals have requested the 4 opportunity to participate via Teams. If there are 5 issues with regards to that, Elizabeth Simpson is 6 present and will be able to assist with any of the 7 Teams issues. 8 When we move into matters that are 9 confidential, the method by which we'll need to do 10 that is to simply close the virtual room. That 11 means that any party that is participating virtually 12 will need to sign in again. The window will be 13 open, they'll need to re-sign in, and they'll be 14 held in the lobby during the time in which we are 15 receiving confidential information. 16 With that, are there any questions 17 concerning that from any of the parties? 18 (No response.) 19 COMMISSIONER OMMEN: I see head nodding 20 "no." So I will take that as no further objection 21 with regards to that. 22 A court reporter is present in the 23 hearing room and will swear in all witnesses. As 24 mentioned, today's proceeding is an administrative 25 contested case which will be conducted under the	Page 11 1 Iowa Administrative Procedures Act, Chapter 17A, as 2 well as the Insurance Division's implementing rules 3 relative to this proceeding which are found in 4 Administrative Code Volume 191, Chapter 3. 5 Iowa administrative hearings are 6 generally less formal than district court hearings. 7 As the presiding officer, I will rule on evidentiary 8 issues and any motions that are submitted. In 9 addition, I will issue any orders and rulings 10 necessary to ensure the orderly conduct of the 11 hearing. 12 The hearing will proceed along the 13 following lines: The parties will be given a few 14 minutes to make opening statements if they wish. 15 The parties will then present their case. Witnesses 16 will be sworn or affirmed by the court reporter and 17 will be subject to examination and 18 cross-examination. 19 Since we have several parties and limited 20 hearing time is available, the parties have agreed 21 to divide the time as follows: The applicants -- 22 and, when I speak of the applicants, I'm referring 23 to Transamerica and SCOR. They will have 144 24 minutes, in total, to present their case. The 25 intervenor, American General, will have 144 minutes
Page 12 1 in total. And the Division shall have 72 minutes in 2 total. 3 Each party can use its allocated time as 4 it wishes during the hearing. To the extent the 5 Division, or any other party, does not use all of 6 their allocated minutes, the remaining time may be 7 split by those remaining parties. I understand the 8 parties will keep track of their use of time. 9 Again, not having been in this 10 circumstance before, this will be a matter of first 11 impression for me. And I've been doing this work 12 for some time. And I'm going to rely on the parties 13 to do this. I don't know if there's any additional 14 explanation needed, but I assume the parties have 15 worked out the details of that and we won't have any 16 disagreement with regards to timekeeping. 17 Again, I see nodding to that extent. If 18 you do have an objection to that, I'm sure I will 19 hear about it. 20 All administrative procedural time 21 devoted to closing the hearing room to protect 22 confidential information or to open the room to 23 resume public evidence will be attributed to the 24 parties on their 40/40/20 basis. 25 I would like to remind the parties	Page 13 1 there's another public hearing that's taking place 2 later today in this room from 5 to 7. So we will 3 have to have a hard stop today at 4:30 as the public 4 will be arriving. Please leave the room quickly at 5 that time to make room for the next hearing. 6 Members of the public are entitled to 7 participate in this process and have been provided 8 the opportunity to participate in person. There are 9 a number in the audience in the room here. But 10 should anyone else appear they will be allowed to 11 attend and participate. The receptionist has been 12 advised to direct any interested party into the 13 hearing room. 14 As the hearing officer, I may limit 15 questioning in a manner consistent with the law. 16 And, when all parties and witnesses have been heard, 17 the parties will be given an opportunity to make 18 final arguments. 19 Irrelevant, immaterial, or unduly 20 repetitious evidence will be excluded. Because the 21 rules of evidence are more relaxed in administrative 22 cases, relevant evidence will generally be admitted 23 subject to objection. All objections must be timely 24 and stated on the record in order to be taken up and 25 heard. Documentary evidence may be received through

Page 14 1 copies of excerpts if the originals were not 2 available or by agreement. 3 As the hearing officer, I may take 4 official notice of all facts of which judicial 5 notice may be taken and of other facts within the 6 specialized knowledge of the division. The 7 Division's experience, technical competence, and 8 specialized knowledge may be used in evaluating the 9 evidence presented. 10 My decision on the issue of the division 11 under 521I and the Commission's decision on the 12 issue of the merger will be a final agency action 13 for purposes of Iowa Code Chapter 17A. 14 If anyone has a question as we go along, 15 please raise your hand. We'll then attend to your 16 question, and, if necessary, go off the record to 17 address it. 18 For witnesses, please speak slowly and 19 clearly so the court reporter can accurately pick up 20 your testimony. 21 Also, one last admonition, please wait to 22 the answer a question until the full question has 23 been presented to you. It's very difficult for the 24 court reporter to capture the testimony when the 25 person asking the question and the person answering	Page 15 1 the question are speaking simultaneously. 2 With that, I think we are ready to 3 proceed with the case. So, before we do that, is 4 there anything further from Transamerica? 5 MR. KORN: We do have one housekeeping 6 item just to make it simpler for everybody. 7 We agree with American General that all 8 of the exhibits that were placed on the parties' 9 proposed exhibit lists will be admitted into 10 evidence without objection. I'm sure 11 Mr. Chakraborty will confirm, but we figure we'd 12 take care of that right now to make things easier 13 for the rest of the day. 14 COMMISSIONER OMMEN: So I have -- I think 15 I counted 13 binders of evidence. I didn't measure 16 them, but I would estimate they're all about four 17 inches thick. So that's voluminous records. 18 MR. KORN: Yes. 19 COMMISSIONER OMMEN: So it's my 20 understanding that whether the evidence has been 21 marked as an exhibit by Transamerica or marked by 22 AGL or the Division, all those exhibits are being 23 admitted by stipulation without objection? 24 MR. KORN: That's correct. 25 MR. CHAKRABORTY: That's correct.
Page 16 1 MS. SOLE: Correct. 2 COMMISSIONER OMMEN: SCOR? 3 MR. SCHWAB: Yes, sir. Just subject to 4 designations of documents as confidential or, in 5 some cases, outside attorneys' eyes only. 6 COMMISSIONER OMMEN: So, again, there is 7 a protective order entered in this case, and so 8 these documents are being received pursuant to the 9 terms of the protective order. 10 The exhibits that I have, that have been 11 advanced to us for consideration, are, I think, 12 adequately marked in that regard. 13 And certainly as we go through the 14 testimony, as you're referring to them, obviously 15 you'll be referring to the ones that are 16 confidential when it involves confidential matters 17 and those that you are making available for public, 18 or have no objection for them being publicly 19 available, as a public redacted version. 20 Is that the understanding of the parties? 21 MR. KORN: It is. And we'll do our best 22 to make sure that's clear as we proceed through the 23 day. 24 COMMISSIONER OMMEN: Thank you. 25 Anything further on that matter from	Page 17 1 SCOR? 2 MR. SCHWAB: Commissioner, do you prefer 3 that counsel who are about to speak identify 4 themselves for the record before they speak? 5 COMMISSIONER OMMEN: I'm turning to the 6 court reporter. I think she might be able to keep 7 track of those things, although -- yeah, I think 8 when you stand up to do direct or when you stand up 9 to examine a witness on cross, I think that would 10 probably make the record clear. Given the number of 11 folks in the room. 12 Anything further before we proceed with 13 opening statements? 14 MR. SCHWAB: Thank you. 15 (No response.) 16 COMMISSIONER OMMEN: Seeing none, again, 17 we're going to proceed in the order of Transamerica 18 will go first. I don't know if that was your 19 expectation? 20 MR. KORN: I think our expectation was 21 that the Division was going to make a brief opening 22 statement and then turn to Transamerica and then to 23 SCOR and then American General. 24 COMMISSIONER OMMEN: All right. With 25 that, we'll proceed in that order. As we go through

Page 18 1 cross-examination of witnesses, has there been 2 discussion among the attorneys as to the order of 3 cross? 4 MS. SOLE: We understood the Division 5 would go last with the cross-examination. The 6 parties can proceed before the Division. 7 COMMISSIONER OMMEN: All right. We're 8 going to work that out. My thought was is that, in 9 terms of evidence, Transamerica will be presenting 10 evidence first. And so, in order of examination on 11 cross, that we would go in the order of -- 12 presumably, SCOR will not have any 13 cross-examination, but we would proceed with the 14 intervenor and then with the Division. In that 15 order. 16 MS. SOLE: Yes, sir. 17 COMMISSIONER OMMEN: Is there any further 18 thought on that? Because that's how I intended to 19 proceed. 20 (No response.) 21 COMMISSIONER OMMEN: With that, I'll 22 allow the Insurance Division to make an opening 23 comment. 24 MS. SOLE: May it please the 25 Commissioner. Deputy Attorney General Bull.	Page 19 1 Good morning. My name is Shannon Sole, 2 and I appear today, together with my colleague Scott 3 Kosnoff, on behalf of the Iowa Insurance Division. 4 I'd like to thank Commissioner Ommen and 5 Deputy Attorney General Bull for presiding over this 6 hearing. 7 I would also like to thank the parties 8 and their counsel for their cooperation in bringing 9 this matter before the Commission in an orderly and 10 efficient manner. 11 As the Commission will hear today, the 12 Division has had significant engagement with the 13 plan proponents during development of 14 Transamerica's, or TLIC's, Plan of Division and Plan 15 of Merger. 16 The Division reviewed the plan, the 17 Division reviewed related financial and actuarial 18 information, the Division reviewed the report of the 19 consulting actuary retained by TLIC, Milliman, the 20 Division reviewed the report of the independent 21 consulting actuary retained by the Commissioner, as 22 well as filings and comments submitted by the 23 parties and interested persons. 24 This is a matter of first impression for 25 the Commission, and there are unique questions of
Page 20 1 law before the Commissioner and Deputy Attorney 2 General Bull. 3 The Division has not taken a position in 4 the contested case on legal issues raised by the 5 parties of whether the Plan of Division and related 6 merger satisfy the applicable statutory standards. 7 It is the Division's intention today in facilitating 8 this hearing that the Commissioner and the 9 Commission will have a full record upon which to 10 make the determination as required by statute. 11 Today the Division will present testimony 12 from Tricia Matson of Risk & Regulatory Consulting, 13 or RRC, an independent actuary retained by the 14 Commissioner pursuant to Section 521I.8(2)(c). 15 Ms. Matson is a fellow of the Society of 16 Actuaries, she is a member of the American Academy 17 of Actuaries, and she currently serves as president 18 of the Academy. She is also co-managing partner at 19 RRC and has provided actuarial consulting services 20 for over 30 years. 21 Ms. Matson's testimony will address 22 whether the proposed transaction satisfies the 23 requirements for approval under Iowa Code 24 Section 521I with particular focus on financial, 25 actuarial, and policyholder protection	Page 21 1 considerations. 2 RRC has concluded that the proposed 3 transaction satisfies the relevant actuarial and 4 financial criteria within the scope of review. They 5 have concluded that cedent interests appear 6 adequately protected, that the resulting insurers 7 are expected to remain solvent, and that the assets 8 of the resulting insurers are not unreasonably small 9 for the business they will conduct. 10 We welcome the Commission's questions of 11 Ms. Matson regarding RRC's work. 12 In closing, we are confident that the 13 testimony to be presented today by the parties and 14 the Division will provide the Commission with a full 15 and complete record upon which to consider the 16 important issues before it. 17 Thank you. 18 COMMISSIONER OMMEN: Thank you. 19 Transamerica. 20 MR. KORN: Good morning, Commissioner. 21 Good morning, Deputy Attorney General 22 Bull. 23 My name is Jeff Korn. I'm here on behalf 24 of Transamerica. And we are finally here. There's 25 a lot of information that's been submitted, a lot of

Page 22 1 work done on both sides of the aisle, and by the 2 Commission and the Commissioner, so we thank you 3 very much for your time and attention to this 4 matter. 5 In some ways, this has been 15 years in 6 the making. This transaction is to put into legal 7 effect what was done as a practical matter 15 years 8 ago when Transamerica entered into a retrocession 9 agreement with SCOR. 10 At that time, Transamerica exited the 11 subject reinsurance business. Since then, the 12 treaties have been in runoff, the inforce is much 13 lower, and SCOR's credit ratings are much higher. 14 There has been a track record of successful 15 operation of this business for 15 years without 16 incident. 17 We now have a division statute that 18 allows for this transaction to occur. The merger 19 law has been on the books for some time. The 20 division law is newer. 21 The process that we are here to talk 22 about began in 2024. It's been a thorough process. 23 There was a significant amount of engagement with 24 the Division and with RRC. 25 It's not an understatement to say that	Page 23 1 both the Division and RRC put Transamerica and SCOR 2 through our paces. All of the issues that were 3 flagged in American General's submissions were 4 raised, discussed, and resolved. We did the work 5 before we got here. And we did that work before we 6 filed the proposed plan. The applicants now seek 7 approval of the proposed Plan of Division and 8 simultaneous merger. 9 We have submitted a tremendous amount of 10 evidence demonstrating that all the requirements of 11 the division law and the merger law have been 12 satisfied. 13 You have, in the prefilings, affidavits, 14 and will hear additional testimony today from Bonnie 15 Gerst, who is the president of financial assets and 16 the SVP of Transamerica Corporation; Brock Robbins, 17 the CEO of SCOR's Global Life Americas region; Sean 18 Hayward, SGLA's chief actuary. 19 You will also hear expert actuarial 20 evidence from, not one, but two of the most 21 respected actuarial firms on the planet. Milliman 22 has presented a report after doing its analysis. 23 And you have an additional affidavit from Laird 24 Zacheis, who is a principal and consulting actuary. 25 You will also hear a presentation, as
Page 24 1 Ms. Sole just previewed, from Patricia Matson at RRC 2 who was retained as an independent actuary acting on 3 behalf of the Commission. 4 When the dust settles at the end of this 5 hearing, all of this evidence will remain 6 un rebutted. The intervenor is not presenting a 7 single fact witness. The intervenor is not offering 8 any actuarial expert to contest the conclusions of 9 either Milliman or RRC. 10 They are going to take some shots at 11 SCOR, and RRC in particular, throughout the day, but 12 everything that they have raised had already been 13 considered and addressed. There's nothing new, 14 there were no surprises. 15 That leaves only AGL's attack against the 16 scope of the division law. Their and the 17 commenters' primary concern seems to be that it 18 affects a novation of the treaties at issue without 19 consent. 20 Now, let's step back. That's not what 21 the division statute does. Their real argument is 22 with the merger law. But they do not, and cannot, 23 claim that the merger law does not permit or 24 authorize this transaction. 25 The division law, if you think about it,	Page 25 1 is to take the dividing insurer who has to allocate 2 its assets and its liabilities as between itself and 3 the resulting insurer. It is not affecting a 4 novation or a transfer of any kind. The statute 5 itself says that expressly in multiple provisions. 6 So they instead focus on the division 7 law, because they can't attack the merger law, and 8 argue that it can only be used to allocate 9 policyholder liabilities and not assumed reinsurer 10 liabilities. Again, that is not what the division 11 law says. 12 We took a look at the charts that were 13 submitted by the Division in their prehearing 14 submission last week, and we actually thought that 15 they were pretty informative. 16 They make clear that the division law 17 mechanism is available to any domestic stock 18 insurer, which includes Transamerica, with no limits 19 on what obligations can be allocated. They point 20 out also that the division mechanism operates 21 through the allocation of assets and liabilities, 22 both of which are broadly defined terms, and they 23 also say that assumed reinsurance obligations fall 24 within the plain language of both definitions. That 25 really should be the end of the legal analysis.

Page 26 1 Now, as the Division has said, and said 2 today, they're not taking a position on the 3 statutory interpretation question. So, in their 4 memo, they also point out the fact that the statute, 5 as American General has also pointed out, does not 6 use the word "cedent." That's also true of the 7 merger law as well. 8 That does not appear in the approval 9 standards. Instead "policyholders" does. And they 10 point to some other aspects that could reflect an 11 assumption about what the legislative intent was. 12 But that's not the exercise that you have 13 to engage in. You have to look at the terms that 14 are actually used in the statute. The rule is that 15 you cannot look at what the statute does not say to 16 limit what it does say. 17 Now, again, the Division does not appear 18 to go that far, and you can certainly ask them if 19 they have a view, but the words of the statute are 20 clear that this is permitted and authorized. 21 At bottom, as we will review in more 22 detail during closing arguments, the intervenor 23 wants to read into the division statute a limitation 24 that isn't there and is inconsistent with the terms 25 that are there.	Page 27 1 Once we get past that issue, the evidence 2 in the record is clear, and as we will show again 3 today, that the division law and merger law 4 requirements are all clearly satisfied as we have 5 demonstrated and we will further demonstrate. 6 Thank you. 7 MR. SCHWAB: Good morning, gentlemen. I 8 will be brief. 9 It is our pleasure to come and present 10 our case to you this morning, and I would like to 11 introduce a few representatives of SCOR. 12 We have the chief executive officer, 13 Brock Robbins, who will testify. We have chief 14 administrative officer, Stephanie Dunn, who will not 15 testify, although she would love to. We will have 16 the SVP and general counsel, Spencer Alridge, with 17 his associate general counsel Lawton Hatley. And 18 then the chief actuary, Sean Hayward, from whom you 19 will hear today. They are very interested in the 20 proceedings and are committed to seeing this 21 through. 22 Mr. Korn covered very well most of the 23 issues. I don't need to repeat anything that he 24 said. 25 Suffice to say that there is a legal
Page 28 1 issue which we think is fully answered by the pages 2 in this book. And then there are factual issues 3 that relate to satisfaction of factors for approval 4 of a division under 521I.8(3), as you pointed out, 5 Commissioner, and then under 521.8. 6 All of those will be satisfied. And 7 there will be tremendous testimony in addition to 8 everything that you've received in writing. We will 9 do our best to not be redundant or duplicative of 10 that information. 11 It is important to say, however, that the 12 only live witnesses, the only testimony being 13 submitted today, is on behalf of Transamerica and on 14 behalf of SCOR. 15 There is an intervenor, American General 16 Life, and we're going to refer to them as AGL, 17 covering both AGL and USL, that are here. They have 18 no witnesses, they've submitted no affidavits, there 19 is no deposition testimony, there are no sworn 20 certifications or documentation to attest to 21 anything that they say. 22 They have not even brought their 23 contracts which they say are so important to your 24 consideration this morning. All they will have is 25 whatever they hope to do in cross-examination of our	Page 29 1 witnesses and all of the evidence already presented. 2 And it's important to point out that 3 they, and the counsel who represents them, are in 4 litigation with SCOR and Transamerica. And counsel 5 was also in litigation, or continues in litigation, 6 on behalf of the prior intervenor, John Hancock. 7 And the three so-called commenters? 8 They're also in dispute resolution with Transamerica 9 and with SCOR. Sometimes in respect of the 10 contracts involved in this case, sometimes on other 11 matters. 12 It will be for you to determine the 13 relative level of credibility, bias, and interest 14 that they bring and represent to the proceedings. 15 This is a question of first impression in 16 Iowa. It is not a question of first impression in 17 other states. Other states, as you will see from 18 our papers, have addressed divisions. And the 19 division concept, the allocation of assets and 20 liabilities, not the assignment or transfer of 21 contracts but the allocation of assets and 22 liabilities, has been addressed for decades by 23 courts around the United States. 24 At the end of the day, gentlemen, we will 25 ask you to overrule the only two objections that

Page 30 1 have been presented by AGL, to grant the exemption 2 from the filing and satisfaction of Form A 3 requirements, because they've otherwise already been 4 redundantly addressed in the context of the division 5 and merger factors and requirements, and to approve 6 the requested division and merger. 7 We'll be happy to answer any questions. 8 Thank you very much for today. We look forward to 9 speaking with you. 10 MR. CHAKRABORTY: We do have a PowerPoint 11 that's going to accompany our presentation. We have 12 hard copies for everyone. So I'll just wait a 13 moment, if you don't mind, while that gets handed 14 out. 15 COMMISSIONER OMEN: Sure. 16 You may proceed. 17 MR. CHAKRABORTY: Good morning. Let's 18 make sure this works. It does. 19 As I mentioned earlier, my name is Suman 20 Chakraborty from Mintz Levin. I'm here on behalf of 21 American General. Before I start my prepared 22 remarks, I should tell you that I think it was 23 yesterday I had a conversation with my team, and I 24 asked them, "How long do you think before SCOR and 25 Transamerica try to make this about me." And the	Page 31 1 answer seems to be opening statement. 2 I do represent ceding companies. I do 3 represent John Hancock. I do represent American 4 General. But they're not here because they're in 5 litigation against SCOR. Or against Transamerica. 6 Because litigation is about a moment in time. And 7 what you're going to hear today is life reinsurance 8 is about more than a moment in time. 9 The risks that my client has to think 10 about, the way it has to plan for itself and its 11 policyholders, aren't confined to one arbitration, 12 one court case, or even one regulatory proceeding. 13 It's about a long-term relationship. 14 So we're not thinking about today and the 15 litigation that's going on right now. We are 16 thinking about tomorrow and next year and five years 17 and ten years and twenty years and even fifty years 18 down the road. Because that is the very nature of 19 life reinsurance. 20 Along with the public comments you have 21 received from Sun Life, from Protective, from John 22 Hancock, and the presentation that American General 23 will make today, I am here to be the cedent voice in 24 this room. 25 And I'll tell you I'm a little
Page 32 1 disappointed by the way this proceeding started. I 2 think Mr. Korn said that we were going to take shots 3 at Transamerica and SCOR. Mr. Schwab, for his part, 4 brought up arbitration and made the focus on me. 5 That's not why we're here. We are here 6 because this is a contested case where it's your 7 duty, under the Iowa division law and the Iowa 8 merger law, to make sure that those who are most 9 impacted by the proposed Plan of Division and Merger 10 are protected. And that's us. 11 So I'm here to be the cedent voice in 12 this room today. Because, for the two-year process 13 that Ms. Sole and Mr. Korn and Mr. Schwab talked 14 about, we weren't part of that process. For us that 15 process began on May 12th of this year when we 16 received a letter that says this is happening. 17 I will keep my opening relatively short, 18 and I'll reserve some of my comments about the law 19 and the evidence in this case for the end of these 20 proceedings, but I'd like to use one of the figures 21 from Transamerica's submissions to explain to you 22 why our voice is important here. 23 And I want to say, from the outset, that 24 everything that I'm going to use in my PowerPoint is 25 not designated confidential, and so it can be use	Page 33 1 for the public who is watching. 2 This is from page 19 of Bonnie Gerst's 3 affidavit that was submitted to you. The 4 non-redacted version. It's also in the Plan of 5 Division, the public version, at the end. And this 6 is what Ms. Gerst describes as the structure of the 7 division and merger contemplated by the plan. 8 And you might notice something from these 9 charts when you take a quick look at it. The 10 cedents don't appear on it. We're nowhere in this 11 diagram. As if we don't exist off to the side 12 somewhere. 13 But, in fact, as certainly you know, 14 Commissioner, cedents are central to the flow of 15 risk and to the flow of risk transfer in the 16 insurance and reinsurance business. 17 Because, while Transamerica and SCOR have 18 contracts amongst themselves that are the subject of 19 these proceedings, and contracts with us that are 20 separate but also the subject of these proceedings, 21 the flow of risk doesn't begin with Transamerica, it 22 doesn't begin with SCOR, and it doesn't even begin 23 with us. It begins with our policyholders. It 24 starts with our obligations to the people who count 25 on us, including 32,000 families in Iowa who have

Page 34 1 life and annuity policies through American General 2 and its affiliates and the millions more across this 3 country who rely on us to have financial strength. 4 The plan proponents keep saying, and 5 you're going to hear this theme over and over again, 6 that no policyholders are impacted. And I -- I 7 should back up and say they mean none of their 8 policyholders. I don't know if they mean 9 policyholders of cedents. 10 And it's true that no Transamerica 11 policyholders may be directly impacted, but there is 12 a set of policyholders who would be. And that is 13 ours. Because of the strength of the risk-sharing 14 structure that is so important to the market that we 15 are part of. 16 This -- and it's hard to see on the 17 screen, but you can see it in your PowerPoint 18 presentation. It's a recurring theme. There's 19 nothing to see here. Mr. Korn even said this has 20 been 15 years in the making. And some of the 21 evidence that we're going to talk about today tells 22 you that's not true. 23 This is the status quo. Our 24 policyholders, including policyholders in Iowa and 25 across the country, count on us to deliver on their	Page 35 1 insurance and annuity policies. We, in turn, manage 2 our risk by counting on Transamerica. Which was a 3 decision made over decades knowing that those 4 relationships would be long-term relationships. 5 And, in 2011, Transamerica decided it 6 would rely on SCOR Global Life Americas to manage 7 its own risk transfer in the flow of reinsurance. 8 They didn't involve us in that choice. 9 They didn't present us with a list of potential 10 partners that they could enter into reinsurance 11 indemnity agreements with. They made that decision. 12 And so, respectfully, Mr. Korn, this has 13 not been 15 years in the making. This has been 15 14 years in Transamerica's making. 15 And then, in 2012, when they came to us 16 and asked us, "Do you want to novate these contracts 17 to the business partner we chose," American General, 18 every cedent who has objected and every cedent who 19 is a part of this Plan of Division and who received 20 that letter said no. 21 This is the status quo. And this is what 22 the Plan of Division is trying to do. That X. It 23 is trying to remove Transamerica from the flow of 24 risk. 25 They want you to believe that this has
Page 36 1 been a passive three-way relationship since 2011. 2 And that's just not how reinsurance works either in 3 day-to-day operation or in regulatory reporting or 4 in how we assess reinsurance relationships in our 5 own books and records. 6 There are two separate relationships. 7 Ours with Transamerica. And Transamerica's with 8 SCOR. And they want to collapse that difference in 9 these proceedings. That is not the status quo. 10 And so I am here in front of you because 11 my clients, and the cedents who have objected, have 12 a problem with that. To having their counterparty 13 choice replaced by a statute that we do not believe 14 contemplates that, to have the decisions around 15 counterparty risk, risk concentration, and 16 everything else a ceding company is supposed to pay 17 attention to, including under the regulations, 18 Commissioner, that you tell them they need to care 19 about, that those choices, those decisions, those 20 strategies, those long-term plans now get 21 substituted because Transamerica and SCOR want to 22 undo their relationship and put that relationship 23 onto us. 24 I think it's really important today, as 25 we go through the evidence and listen to witness	Page 37 1 testimony and the cross-examination, to remember who 2 is who. And what this table does is set forth all 3 the different names and the acronyms that you're 4 probably going to hear, both pre division and post 5 division if this goes through. 6 And the one thing I would like you to 7 remember is who our counterparty would be. It's 8 SCOR Global Life USA. SGLUSA is probably what I'm 9 going to refer to them as. 10 The SCOR parent entity is not going to be 11 our counterparty. SCOR Global Life Reinsurance 12 Americas, the current counterparty for Transamerica, 13 is not going to be our counterparty. SGLUSA is, the 14 entity who, as of today, has approximately 15 \$200 million in capital and surplus and is going to 16 take on billions in reserves. That is TLIC's merger 17 partner and that is the entity who they want to 18 substitute in as our counterparty. 19 And so the question here for you today, 20 both under the division law and under the merger 21 law, is whether our objections are reasonable. 22 So we set forth in our briefs the full 23 set of objections we have. And I want to say 24 something about burden of proof. Because I saw that 25 Mr. Korn and Mr. Schwab both said this. They both

Page 38 1 made a point of saying, "Well, we didn't bring in 2 any fact witnesses." As if things are un rebutted. 3 This is a contested case. If this was 4 happening in the usual way of a policyholder, 5 liability being divided, the likelihood is there 6 would be no policyholders in this room. They would 7 not have the resources or the ability to hire a 8 Mintz Levin and to come and speak on their behalf. 9 And the reason this is a contested case 10 is because you are supposed to be their voice in 11 these proceedings. You are supposed to make 12 affirmative findings on their behalf. There is no 13 default win here if a policyholder doesn't put up a 14 witness or doesn't go out and hire a competing 15 actuarial firm. The burden is squarely on them to 16 prove to you that there are no reasonable objections 17 to this plan. 18 We have told you that our first and 19 threshold objection is that the division law does 20 not apply to the division of assumed reinsurance 21 liabilities. And I know Mr. Korn said that this 22 issue somehow has been resolved. I think you can 23 see in our briefs that's not true. 24 Our view is that the language of the Iowa 25 division law speaks only to the division of	Page 39 1 policyholder liabilities. It was meant for direct 2 contracts. And I'll spend a little time in my 3 closing going over the parts of the law, and the 4 industry information that underlies it, that support 5 that view. 6 The only place that reinsurance is 7 mentioned is when it covers the allocation of what I 8 call outward reinsurance contract. 9 So we gave you an example in our briefs. 10 So Transamerica has a block of long-term care 11 policies. And they're going to divide those 12 policies into a temporary company like TLIC-A. 13 Those policies have, themselves, reinsurance 14 protection. And so, if you're going to move the 15 policy from Transamerica to Transamerica-A, the 16 reinsurance that covers that policy moves with it. 17 That's outward reinsurance. 18 But, if you look at the language, the 19 repetitive use of "insurers," "policyholders," 20 "insurers," "policyholders," I submit to you that 21 this cannot be fairly read to mean that the Iowa 22 legislature intended for a division of assumed 23 reinsurance obligation. 24 And that's why they have to do this. 25 This is in their Plan of Division. That they have
Page 40 1 to treat cedents like policyholders for purposes of 2 the law. And, while they tried to back out of it 3 and call us creditors at times, this is actually in 4 the operative documents that they're asking you to 5 approve. This is their position on the law. 6 The statute on its own cannot be fairly 7 read to refer to cedents. And so their position is 8 we'll cross "cedent" out -- sorry, we'll cross 9 "policyholder" out and insert "cedent" in its place. 10 And our view is statutory interpretation does not 11 permit you to do that. 12 The second principle I'd like you to 13 remember today, as we think about these issues, is a 14 commercial point instead of a statutory point. And 15 it's that policyholders and cedents look at the risk 16 in very different ways. 17 There is a reason that reinsurance is 18 exempt from much of the body of state insurance 19 regulatory laws. Because it's very different than 20 the concerns that a policyholder has on the direct 21 side. And some of the objectors have talked about 22 that in their letters to you. 23 So John Hancock wrote about the great 24 importance that cedents put on who their 25 counterparty is. Cedents have to think about	Page 41 1 counterparty risk in a completely different way in 2 the context of reinsurance than a policyholder has 3 to do when they're deciding on what life insurance 4 policy they're going to get. 5 We have relationships that span 6 thousands, tens of thousands, hundreds of thousands 7 of policies. Reinsurance contracts that aren't just 8 entered in one year, they're entered for decades. 9 And so we have to look at our 10 counterparty not can they pay out on one policy, can 11 they pay out on billions of dollars worth of 12 policies. 13 We don't have a state guarantee fund 14 protecting us. We have to do the due diligence in 15 determining who our counterparty is. And reinsurer 16 impairment is real. The concerns are legitimate. 17 We're seeing that in the Delaware 18 proceedings for Scottish Re. And I've said over and 19 over again I'm not here to say that today SCOR is 20 the equivalent of Scottish Re. But our job as 21 cedents is to worry about whether they're going to 22 be. 23 John Hancock wrote this to you in their 24 public comment. And they were not even a party to 25 these proceedings anymore.

Page 42 1 And I want to be very clear. There was 2 no deal, there was no settlement, there was no side 3 agreement to let John Hancock out. Transamerica 4 willingly, on their own, let 50 percent of its block 5 out of this proposed transaction. And, despite 6 that, despite the fact that John Hancock will have 7 the benefit of Transamerica as its counterparty, 8 it's still here telling you that cedents worry about 9 that issue. And that's the issue that AGL is going 10 to speak to today. 11 Protective has also submitted a letter to 12 you. And there they talk about concentration risk. 13 That's something that's addressed in Ms. Gerst's 14 affidavit. And we'll discuss that with her as well. 15 And this is what they wrote: "Prudent counterparty 16 risk management depends on a cedent's ability to 17 control such concentration." 18 When a cedent decides to do business with 19 Transamerica, it's not just a moment in time. They 20 look to see what else they had with Transamerica, 21 what they plan on having with Transamerica, how much 22 business is going to end up with Transamerica. 23 And just as important as a decision of 24 who to do business with is the decision who not to 25 do business with. This plan seeks to take that	Page 43 1 decision out of the hands of cedents to put it 2 initially in the hands of Transamerica and SCOR and 3 to have that effectuated through you. 4 And the last principle I'd like to talk 5 to you about is the standard that we think applies 6 here. And it's a question, Commissioner Ommen, you 7 asked us at the prehearing conference at the end. 8 To give you some guidance on what standard should 9 apply. 10 And we wrote in our briefs that we think 11 it's the reasonable objection standard. It's 12 something that is certainly mentioned directly in 13 the merger statute. And, if you look at all the 14 standards about the affirmative findings that you, 15 Commissioner Ommen, need to make under the division 16 law, those all speak to unfairness, 17 unreasonableness, protection of cedents. 18 And, in truth, it doesn't say protection 19 of cedents. It says protection of policyholders. 20 But here they want you to treat cedents as 21 policyholders under the law. 22 Fine. Let's do that today. But, if you 23 do that today, it means our interests must be a 24 central focus. 25 That's why I was so disappointed in the
Page 44 1 language that I heard earlier. We are treated as 2 intruders instead of intervenors. We are treated as 3 intruders instead of stakeholders. 4 But both your jobs under this statute is 5 to protect us, to make sure there is no financial 6 impact on us, and, as you'll hear in the closing 7 under the NAIC best practices procedure, to ensure 8 that we are in the same economic position with the 9 same protection post division as we would be pre 10 division. 11 There's a reason the division law says 12 there should be a contested case. And today my job 13 is to talk to you about the interests of the cedents 14 whose interest must be at the center of that 15 contested case. 16 Reasonable objection. We're going to 17 talk about those today. I'm going to go through 18 them in my closing. And I want to remind you of 19 something I said at the beginning. The burden is 20 not on us. The burden is initially on them. 21 And we're here to tell you that cedents 22 every single day take seriously the job of 23 determining who their counterparties are and how 24 they are managing their risk for themselves, for 25 policyholders, and for the future of the commitments	Page 45 1 that they have made. 2 Those concerns have unfortunately been 3 very easily dismissed by the folks on that side of 4 the room. And our hope is that this Commission 5 won't dismiss them as easily. 6 I look forward to presenting my case to 7 you today. 8 COMMISSIONER OMMEN: Thank you. 9 Anything further from the Division at 10 this time? 11 MS. SOLE: No, Commissioner. 12 COMMISSIONER OMMEN: All right. With 13 that, Transamerica, are you ready to proceed with 14 your first witness? 15 MS. RICHARDSON: Commissioner, we're 16 going to start with testimony from Ms. Gerst. 17 COMMISSIONER OMMEN: Ms. Gerst, you'll 18 need to be seated here and you will need to testify 19 under oath. 20 So if the court reporter could administer 21 the oath. 22 23 24 25

Page 46

1 BONNIE GERST,
2 called as a witness by Transamerica Life Insurance
3 Company, being first duly sworn by the Certified
4 Shorthand Reporter, was examined and testified as
5 follows:
6 DIRECT EXAMINATION
7 BY MS. RICHARDSON:
8 Q. Good morning.
9 A. Good morning.
10 Q. Would you mind introducing yourself and
11 briefly describing your role at Transamerica.
12 A. Yes. My name is Bonnie Gerst. I am
13 president of financial assets for Transamerica. I
14 reside in Cedar Rapids, Iowa, and I've worked for
15 Transamerica for 25 years and been in the insurance
16 industry for 35.
17 As part of my responsibilities, I manage
18 some of the lines of business that are considered
19 legacy for the overall organization and a
20 substantial part of the balance sheet.
21 Q. And did you submit prefiled testimony --
22 A. I did.
23 Q. -- in this matter? And, as a reminder,
24 let me try to finish the question so that we don't
25 talk over each other for the court reporter.

Page 48

1 and claims to cedents from that point forward. We
2 don't have any reinsurance operations in our
3 business today.
4 The business has progressed. It's gotten
5 substantially smaller. It is in a runoff block of
6 business.
7 We have acknowledged that SCOR's
8 financial strength rating is higher than it was at
9 the time of the transaction, and we recognize the
10 objectives of the NAIC to have higher transparency
11 with the risks that are being taken and the ultimate
12 risk-taker as well as the assets that are being
13 transferred.
14 So this was naturally an opportunity to
15 use the statute -- this is what the statute was
16 designed for. Where a business has been transferred
17 and it is ultimately being simultaneously merged
18 with an entity that has taken that risk.
19 We really do believe this is the
20 objective of the statute. To simplify organizations
21 and recognize that there weren't tools to do this
22 restructuring before.
23 Q. And how did you select the business that
24 would be included in the Plan of Division?
25 A. It was the business in our reinsurance

Page 47

1 Is that your prefiled testimony in front
2 of you?
3 A. It is.
4 Q. And are the contents of that affidavit
5 true and correct to the best of your knowledge?
6 A. They are.
7 Q. Ms. Gerst, are you familiar with the Plan
8 of Division that has been submitted to the
9 Commissioner?
10 A. I am.
11 Q. How did you come to be familiar the plan?
12 A. I am the executive sponsor for the Plan
13 of Division and the work that was done within
14 Transamerica to submit that. I've worked on the
15 proposal for a number of years.
16 Q. And why was Transamerica interested in
17 pursuing a Plan of Division?
18 A. The Plan of Division really is the right
19 time, the right business objective. And we
20 recognize that this is a matter of first impression.
21 The business that we had transacted with
22 SCOR back in 2011 brought us to a point where we
23 transitioned the management team, the operations,
24 the employees to SCOR, and they've been
25 administering it since then providing all premiums

Page 49

1 operations and the business that had been
2 transferred economically back in 2011.
3 Q. So you mentioned that you were involved
4 in developing the Plan of Division. Could you
5 describe the process for developing the plan?
6 A. The process was robust. We included in
7 our work actuaries, legal counsel, accountants for
8 both SCOR and Transamerica in the work and
9 evaluation.
10 We engaged Milliman as an independent
11 actuarial firm to review the proposed plan and the
12 financials and the strength of SCOR in this
13 transition process.
14 And then we engaged with the Iowa
15 Insurance Division to make sure that we understood
16 the regulations and the counterparties that would be
17 required on their side from a legal perspective and
18 the independent actuary firm to, again, confirm the
19 objectives and the fairness of the Plan of Division.
20 Q. And have you reviewed the filings by AGL
21 in this matter?
22 A. I have.
23 Q. And do you have any reaction to the
24 filings?
25 A. I was surprised. As you look at the

Page 50 1 amount of reserves that are assumed by TLIC from 2 AGL, they're only \$90 million. The block has 3 substantially declined since 2011. And, if you 4 compare it to their reinsurance program, it's less 5 than 1 percent of the risks that they cede to 6 external parties. So it's, by my measure, not 7 material. 8 I was also surprised because they have 9 restructurings that they've taken place in the past. 10 They've used a similar tool in the UK to transfer 11 risks between counterparties. And they're currently 12 going through a merger of Corebridge and Equitable. 13 Which just illustrates that the insurance 14 industry is dynamic and needs these restructuring 15 mechanisms in order to reduce complexity. 16 Q. In particular, AGL has raised some 17 concerns about concentration risk. 18 Are you aware of that? 19 A. I am. 20 Q. And do you have any reaction to those 21 concerns? 22 A. We, as an insurance company, manage and 23 monitor counterparty risk related to reinsurance as 24 well. And let me describe to you how we think about 25 that.	Page 51 1 We think about reserves that are ceded, 2 as well as the future cash flows of that business, 3 relative to the financial strength. 4 And, just to remind you, the financial 5 strength of Transamerica and SCOR for these entities 6 are equivalent. 7 So, as we think about it, it should be an 8 equivalent substitution. As the simultaneous merger 9 occurs. 10 Q. Ms. Gerst, are you aware that AGL has 11 also raised concerns about the difference in RBC 12 between TLIC and SGLUSA? 13 A. I am. RBC is a solvency measure. And 14 it's only one measure to understand the financial 15 strength of a company. 16 There are different ways to manage 17 capital. I would say -- and let me just compare and 18 contrast Transamerica's way of managing capital 19 versus SCOR's. 20 Transamerica maintains most of its 21 capital in its insurance company for marketing 22 purposes. And SCOR, on the contrast, maintains much 23 of its capital at the holding company but uses 24 capital support mechanisms to assure that it has the 25 same financial strength. Which is recognized by the
Page 52 1 rating agencies as they do their evaluation as well. 2 Q. And are you aware that AGL has also 3 raised concerns about TLIC-A's financial condition 4 after the division? 5 A. I am. And was surprised. Because we've 6 established a net worth maintenance agreement for 7 TLIC-A which would assure, until the simultaneous 8 merger, it has the full support of Transamerica 9 Life. 10 Q. In its papers, are you aware that AGL has 11 claimed that no insurance company licenses are 12 necessary in this transaction? 13 A. I am. 14 Q. Is that your understanding? 15 A. I was surprised by that, too, because 16 we've applied for the license that would be required 17 under TLIC-A. 18 Q. Do you have a view whether the Plan of 19 Division satisfies the financial requirements under 20 Iowa law? 21 A. I do. My opinion -- we wouldn't bring it 22 to the Insurance Division if we didn't believe that 23 the interests of all parties, whether it's 24 policyholders, contractholders, reinsurers, other 25 liability creditors, are protected under the	Page 53 1 proposed plan. 2 Q. And I think the exact phrasing that AGL 3 used in their opening was that they would be in the 4 same economic position with the same protections. 5 Did you hear that? 6 A. I did. 7 Q. Do you have a view about whether they 8 would be in the same economic position with the same 9 protections? 10 A. Yes, I do. The work that we've done in 11 order to hire a number of actuarial firms to 12 reconfirm, the objective was to make sure that 13 everybody is in the same financial position before 14 and after. And I go back to the financial strength 15 rating of Transamerica Life and SCOR are equivalent. 16 Q. And did anything in the filings by AGL or 17 any of the commenters cause you to change your 18 opinion? 19 A. No. 20 Q. Is there anything that has developed 21 since the plan was filed that you think the Division 22 needs to be aware of? 23 A. No. 24 Q. Anything else you'd like to add? 25 A. No. Thank you.

Page 54

1 MS. RICHARDSON: That's all I have.
2 COMMISSIONER OMMEN: Does SCOR have any
3 cross-examination?
4 MR. SCHWAB: No, sir. Thank you.
5 COMMISSIONER OMMEN: Let's turn to
6 American General.
7 MR. CHAKRABORTY: We have a witness
8 binder to make it easy for the witness to follow
9 along. We have copies for counsel. I don't know if
10 you all want copies since you have 13 feet of
11 exhibits already. You can throw them away when
12 you're done. It just might make it easier to flip
13 back and forth.
14 COMMISSIONER OMMEN: I appreciate you
15 offering those. Again, we do have them, but
16 appreciate you for putting them in order. Thank
17 you.
18 You may proceed, Counsel.
19 MR. CHAKRABORTY: Thank you.
20 CROSS-EXAMINATION
21 BY MR. CHAKRABORTY:
22 Q. Good morning, Ms. Gerst.
23 A. Good morning.
24 Q. You and I have met before, haven't we?
25 A. We have.

Page 56

1 A. No. My understanding is the corporate
2 division IBT laws are similar to the Part VII.
3 Q. And we'll get into that with the
4 Commission a little bit later.
5 You also mentioned the
6 Corebridge/Equitable merger. Are you aware at what
7 level of the corporate structures that merger is
8 occurring?
9 A. My statements were merely to identify
10 that the overall organizations of insurance are
11 dynamic. If you look at the contracts that AGL has
12 entered into, many of them may have been with
13 Transamerica Occidental Life. Which is a
14 predecessor of Transamerica Life. The world is
15 dynamic in the insurance industry.
16 Q. Well, let me ask it a different way. Do
17 you know if a single American General policyholder
18 will have its counterparty switched out as a result
19 of the merger with Equitable?
20 A. Say that again?
21 Q. Do you know if a single American General
22 policyholder will have its named counterparty
23 switched out as a result of the merger with
24 Equitable?
25 A. I do not. But I understand that

Page 55

1 Q. I'm just going to start by quickly
2 talking about something you raised in your direct
3 examination which was not, I believe, in your
4 affidavit. And that is about the AIG transaction
5 and the current Corebridge merger.
6 Do you recall that testimony?
7 A. I do.
8 Q. Can you tell me what statute the AIG
9 transaction was effectuated under?
10 A. I cannot.
11 Q. Do you know what Solvency II and Part VII
12 transfer terms are?
13 A. Yes.
14 Q. Do you know what a Part VII transfer is?
15 A. Yes.
16 Q. Do you know if the AIG proceeding was
17 done pursuant to Part VII?
18 A. No, I do not.
19 Q. Do you know if Part VII expressly
20 authorizes the transfer of assumed reinsurance
21 contracts?
22 A. My understanding is reinsurance contracts
23 have been transferred under Part VII UK law.
24 Q. And is Part VII a legal structure that
25 exists here in the United States?

Page 57

1 Equitable has done some non-consent novations of
2 policies between carriers.
3 Q. And do you know if any Equitable
4 policyholder, a single one, will have its
5 counterparty switched out as a result of the merger
6 with Corebridge?
7 A. I go back to my statement just before.
8 Q. Okay. So I thought it might be useful to
9 set the stage for today to talk about the
10 relationship between Transamerica and AGL and the
11 other cedents, and I was wondering if you and I
12 could get an agreement on some facts.
13 You agree with me that the business that
14 is subject to the proposed transaction is solely
15 Transamerica's assumed reinsurance business.
16 A. Yes.
17 Q. That means Transamerica is the reinsurer
18 and it has entered into contracts with direct
19 insurers like American General.
20 Right?
21 A. The reinsurance contracts on the assumed
22 in the cedent side will be segregated into TLIC-A,
23 correct.
24 Q. And there are no policyholders who are
25 parties to those contracts; correct?

Page 58 1 A. There are no parties that are 2 policyholders in those contracts, correct. 3 Q. And I think you mentioned that some of 4 the agreements were originally entered into by a 5 Transamerica affiliate called Transamerica 6 Occidental? 7 Is that right? 8 A. Correct. 9 Q. And that entity merged into Transamerica 10 Life. 11 Right? 12 A. Correct. 13 Q. And it brought with it all its assets and 14 liabilities as part of that merger. 15 Correct? 16 A. Correct. 17 Q. Nothing was divided out of Transamerica 18 Occidental before it merged into Transamerica Life? 19 A. No. 20 Q. And in 2010, Aegon, which I believe is 21 Transamerica's parent company, decided to divest 22 itself of its reinsurance business; is that right? 23 A. In 2011 we entered into reinsurance 24 agreements to divest our reinsurance operations, 25 correct.	Page 59 1 Q. Were you at the company at the time? 2 A. I was. 3 Q. And I presume Aegon and Transamerica had 4 discussions with several other companies other than 5 just SCOR. 6 Is that fair to say? 7 A. I'm not aware. 8 Q. Well, it landed on SCOR as its business 9 partner for that transaction in 2011. 10 Is that right? 11 A. Can you repeat the question? 12 Q. Sure. In 2011 Transamerica made the 13 decision to select SCOR as its business partner on 14 that reinsurance transaction. 15 A. The reinsurance transaction, at that 16 point, was conducted with SCOR, yes. 17 Q. Did Transamerica ask any of the cedents 18 for their opinions on who Transamerica's 19 counterparty should be? 20 A. That was not required under the 21 contractual law. And contracts with those 22 counterparties. 23 Q. So the answer is no. 24 A. Correct. 25 Q. Are you aware that in 2012, following the
Page 60 1 original transaction, SCOR sent letters to 2 Transamerica cedents asking them to consider a 3 novation. And, if you'd like to look at that 4 letter, it's AGL Exhibit 5 that's in the binder in 5 front of you. 6 A. Yes. As a part of the transaction, it 7 was required that SCOR, on behalf of Transamerica, 8 notify all of the cedents of the transaction, advise 9 them and help us discontinue new business, as well 10 as provide counterparties their options related to 11 novation. 12 Q. And, if the cedents had agreed to 13 novation at that time, they would have had a direct 14 contractual relationship with SCOR and would no 15 longer have one with Transamerica. 16 Is that fair to say? 17 A. Correct. 18 Q. And is it also fair to assume that every 19 cedent -- well, actually, let me back up here. 20 I think you mentioned that this was part 21 of the requirement of the transaction that SCOR send 22 these letters out? 23 A. They need to know who their management 24 team to administer the business is, yes. 25 Q. And so SCOR sent a letter like this to	Page 61 1 every cedent who was part of Transamerica's assumed 2 reinsurance block? 3 A. Correct. 4 Q. And so is it fair to assume that if any 5 cedent remains today as part of the defined block, 6 and I'll put John Hancock out of the picture for a 7 second, the defined block that is subject to this 8 division, they are here today as part of these 9 proceedings because they said no to a novation in 10 2012? 11 A. There were a number of cedents that did 12 not respond to the communication. So I don't 13 believe you can say that everybody said no. 14 And, just to remind you, the corporate 15 division statute did not exist in 2011. 16 Q. Agreed. Do you know if AGL said no? 17 A. I do not. 18 Q. And, if you look at the letter under the 19 section that says "Dear Wayne," it says "In 20 August 2011, SCOR SE and its affiliates purchased 21 the business of Transamerica Reinsurance in order to 22 facilitate an efficient transition of the business 23 to SCOR Global Life Americas (SGLA), the 24 Transamerica companies remained your counterparties 25 and the business was assumed by SGLA by retrocession

Page 62 1 from Transamerica." 2 So would you agree with me that, as a 3 result of the retrocessional arrangement in 2011, 4 Transamerica remained the contractual counterparty 5 for all the cedents? 6 A. Can you show me where you're reading? 7 Q. I'm reading on AGL-5 in the letter. If 8 you flip the page. Right under "Dear Wayne." 9 A. And your question again? 10 Q. My question is would you agree with me 11 that after the 2011 retrocessional deal between SCOR 12 and Transamerica, Transamerica companies remained 13 the cedent's counterparties? 14 A. To the extent that they did not 15 recapture, did not novate, yes, the contracts would 16 remain unchanged. 17 Q. And, as of today, the status quo is that 18 Transamerica remains the contractual counterparty 19 for all of the cedents who are subject to this 20 division. 21 Do you agree with that? 22 A. Under the Plan of Division, the intent is 23 to divide those contracts off. The contracts will 24 remain unchanged in the division as well. 25 Q. So, Ms. Gerst, respectfully, that wasn't	Page 63 1 my question. My question is do you agree that, as 2 of today, the status quo is that Transamerica's 3 contractual counterparty is the cedent? 4 A. Yes. 5 Q. I'd ask you to turn to AGL Exhibit 18. 6 And I'll represent to you that this is a document 7 that was produced as part of the document production 8 that RRC provided in this case. And it's called 9 "Talking Points and Q & A." 10 And it says "For use on a reactive basis 11 with call centers, as well as clients, business 12 partners," and there are answers that are to be 13 provided in connection with this transaction. 14 Do you see that? 15 A. I do. 16 Q. Does Transamerica have a call center? 17 A. Yes. 18 Q. And I assume a call center is where a 19 policyholder can call and say, "What's going on with 20 the company" or "I have a question about my policy." 21 Is that fair? 22 A. Yes. 23 Q. And do cedents typically call call 24 centers? 25 A. Not generally.
Page 64 1 Q. So I want to draw your attention to a 2 section on page 2. Which is called "Response to 3 Ceding Company Exposure Concerns." 4 And do you know what the term "exposure 5 concerns" refers to? 6 A. The term "exposure concerns," I would 7 expect, is a correlation to counterparty risk. 8 Q. So the first sentence of this section 9 says "SCOR has been the sole economic and 10 administrative counterparty for this block of 11 business since 2011." 12 You do agree with me that the contractual 13 counterparty for this block of business since 2011 14 was Transamerica, not SCOR. 15 Right? 16 A. Correct. 17 Q. And then the third sentence says "This 18 transaction simply replaces a legacy contractual 19 framework with a clearer, direct relationship, a 20 structure that has been operating for nearly 15 21 years." 22 You would agree with me, again, that the 23 clear, direct contractual relationship for the last 24 15 years has been ceded to Transamerica, not ceded 25 to SCOR.	Page 65 1 A. The administrative and business 2 relationship has been between SCOR and the cedents 3 since 2011. To the extent that a counterparty had a 4 question related to coverage or a new regulation 5 coming out, they would not interact with 6 Transamerica Life. They would be interacting with 7 SCOR. 8 Q. Well, that's because you designated SCOR 9 as your agent and administrator; right? 10 A. And they owned all of the economic 11 implications of the decision. 12 Q. Again, you designated SCOR as your 13 administrator and agent; right? 14 A. Correct. 15 Q. And you told the cedents, "Go to our 16 administrator and agent when you have questions 17 about your Transamerica treaty." 18 Right? 19 A. Correct. 20 Q. The cedents didn't make that decision on 21 their own; correct? 22 A. Correct. 23 Q. And so, when we talk about the status 24 quo, the status quo today is AGL has a treaty with 25 Transamerica, Transamerica has a separate contract

Page 66

1 with SCOR, and you have designated SCOR as your
2 administrative agent.
3 Would you agree with me that today that's
4 what the status quo is?
5 **A. It is.**
6 Q. Okay. So earlier in your direct
7 examination you said that the financial strength of
8 Transamerica and SCOR are equivalent. Which SCOR
9 entity were you talking about?
10 **A. If you look to the financial strength**
11 **ratings from four agencies, you would say that**
12 **SGLUSA is a deemed a financial strength equivalent**
13 **to Transamerica.**
14 Q. So your position is that SGLUSA, the
15 entity with \$200 million in surplus, has the same
16 financial strength as Transamerica Life Insurance
17 Company which has over \$5 billion?
18 **A. When you consider the financial**
19 **mechanisms and capital support and obligations that**
20 **are contractual, yes.**
21 Q. Right. And so your position is it's not
22 just SGLUSA alone, it's SGLUSA plus parent; correct?
23 **A. Based off of the contracts that exist,**
24 **yes.**
25 Q. And that parent is located where?

Page 68

1 Do you see that?
2 **A. I do.**
3 Q. And so what you're telling your
4 policyholders here, or at least you intend to, is
5 that reducing your counterparty risk to SCOR
6 improves your risk profile.
7 Is that fair?
8 **A. The NAIC in their RBC does not recognize,**
9 **at this point, counterparty risk that mirrors the**
10 **counterparty of equal strength. So it assesses it**
11 **off of the direct side. And that will be -- that**
12 **charge will be reduced as a result of this**
13 **transaction. But it's not material.**
14 Q. And the way you are reducing your
15 counterparty risk is by shifting that risk to the
16 cedents who will now assume that counterparty risk
17 from SCOR.
18 Is that right?
19 **A. Under the way the NAIC RBC works, it does**
20 **not assess multiple risk charges to counterparties.**
21 **So the counterparty that they have to TLIC today**
22 **will be substituted by the counterparty risk of**
23 **SCOR. And the financial strength rating of both are**
24 **equivalent.**
25 Q. One last sentence on this series of

Page 67

1 **A. In France.**
2 Q. So, when you talked earlier about the
3 NAIC wanting greater transparency into who the
4 ultimate risk-taker is, who is the ultimate
5 risk-taker post Plan of Division?
6 **A. SGLUSA.**
7 Q. The ultimate risk-taker is the U.S.
8 entity and not the French entity? That's your
9 position?
10 **A. That is the counterparty. And the entity**
11 **has the strength of the group through contractual**
12 **obligations.**
13 Q. I want to ask you one last question on
14 the talking points. Do you have that in front of
15 you? It's AGL-18.
16 **A. Yes.**
17 Q. And I want to draw your attention in
18 particular -- I'll find it for you in a second.
19 Page 2 right above "Response to Cedent Company
20 Exposure Concerns."
21 There's a sentence that says "The
22 transaction will result in a reduction in
23 counterparty risk thereby improving the overall risk
24 profile of Transamerica as well as reducing
25 reporting complexities for Transamerica."

Page 69

1 questions.
2 You did a calculation, and I think you
3 talked about it in your opening, about the
4 percentage of business that AGL does with
5 Transamerica and does with SCOR and if it's
6 combined, if it's immaterial.
7 Do you recall that?
8 **A. In our measure of how we would be judging**
9 **a reinsurance program and the relative counterparty**
10 **risk, yes.**
11 Q. And would you agree with me the cedents
12 have the right to make that decision for themselves?
13 **A. The NAIC formula that we've set out sets**
14 **a standard for that calculation.**
15 Q. So is that a yes or a no? Do you agree
16 with me that cedents should be able to make that
17 decision for themselves?
18 **A. The corporate division statute allows the**
19 **segregation and allocation of contracts between two**
20 **counterparties, or two entities, and then merger of**
21 **another counterparty. I would say, on the other**
22 **side, does a cedent have the consent -- or the**
23 **objective of if there's a merger on the other side,**
24 **it's similar in nature.**
25 MR. CHAKRABORTY: I don't have any

Page 70 1 further questions for Ms. Gerst. 2 COMMISSIONER OMMEN: Thank you. 3 Any cross-examination by the Division? 4 MS. SOLE: Yes, sir. 5 CROSS-EXAMINATION 6 BY MS. SOLE: 7 Q. Ms. Gerst, in your testimony, you 8 described yourself as the executive sponsor of the 9 team from TLIC that interacted with the Division and 10 RRC. 11 Is that correct? 12 A. Correct. 13 Q. Can you tell me what your duties were as 14 the executive sponsor? 15 A. I interacted with the Division in 16 proposing the objectives of the Plan of Division. I 17 interacted with RRC as the work groups were being 18 established and monitored the progress of the 19 overall assessment that was being done along the 20 way. 21 Q. And do you recall, in those interactions, 22 that the Division's team included its counsel, 23 Jordan Esbrook; Kim Cross, the deputy commissioner 24 of supervision; Mike January check, chief actuary; 25 Kevin Clark, chief accounting specialist; Carrie	Page 71 1 Mears, the chief investment specialist; and Adam 2 Jackson, assistant chief examiner? 3 A. Yes. The entire Iowa Insurance Division 4 that represents and monitors Transamerica Life were 5 represented as you said. 6 Q. And do you recall the RRC team included 7 Tricia Matson, Ben Leiser, John Hyde, Tapika 8 {phonetic} Roy, Justin Schrader, Ed Koebel 9 {phonetic}, and Larry Siegel? 10 A. Yes, there was a robust team on that side 11 as well. 12 Q. And those interactions also included 13 multiple representatives of SCOR; correct? 14 A. Correct. As well as representatives from 15 Transamerica Life. 16 Q. And let me ask you about the timing and 17 frequency of those interactions. 18 You described the engagement of these 19 Teams as robust. How often did you meet with these 20 Teams in preparing the plan? 21 A. In order to do the assessment and assure 22 that financial information was continuously flowing 23 to RRC, we had a weekly status meeting where all of 24 the experts were available for questions, inquiries, 25 requests. As well as we monitored it throughout the
Page 72 1 week. So we had interactions on at least a daily 2 basis. 3 Q. And did you understand the purpose of 4 these meetings was for the Division to review and 5 provide feedback on the components of the plan and 6 to facilitate provision of information to RRC, the 7 Commissioner's independent expert? 8 A. I did. 9 Q. And it's true, isn't it, that the 10 Division requested from TLIC and SCOR information 11 and documentation beyond what was initially provided 12 with the proposed plan. 13 A. Yes. We provided the Milliman report to 14 accelerate their review, but their review went 15 further in depth. They asked for a lot of 16 additional information, projections, confirmations 17 of contractual obligations in order to do their 18 assessment. 19 Q. So, if I'm understanding correctly, even 20 after the Milliman report was produced to the 21 Division and RRC, the Division and RRC made 22 additional requests for information and 23 documentation. 24 Yes? 25 A. Yes. They put us through the paces I	Page 73 1 will say. 2 Q. Do you recall, for example, that RRC 3 requested ORSA and Solvency II projections from 4 SCOR? 5 A. Yes, the assessment didn't stop from an 6 entity perspective. They looked at the overall 7 group. Because one of the mechanisms to support the 8 capital structure of SGLUSA depended on the SCOR 9 group ultimate risk profile as well as projections. 10 Q. You told us previously that you have 11 reviewed the submissions by AGL in this matter; 12 correct? 13 A. I have. 14 Q. And AGL has characterized RRC as 15 rubber-stamping the Milliman report. 16 Would you agree with that 17 characterization? 18 A. They obviously weren't there. The 19 process was robust. It took a lot of work on all 20 parties' sides, from an actuarial perspective, from 21 SCOR management teams as well as the actuarial teams 22 on that side, to do additional runs and financial 23 information for RRC to get comfortable with the 24 assessment. 25 Q. Your testimony states that the Division

Page 74 1 provided feedback and oversight on other components 2 of the plan as well. And I believe one of those 3 areas you pointed out was the communication plan. 4 Is that correct? 5 A. Correct. 6 Q. Do you recall what the IID's response was 7 as far as the communication plan? What revisions 8 they suggested? 9 A. I don't remember specifically, but we did 10 have a lot of interactions and took feedback and 11 made sure that we complied and enhanced the 12 communication plan appropriately. 13 Q. So there were changes made as a result of 14 feedback from the Insurance Division? 15 A. There were. 16 Q. And you also consulted with the Division 17 to determine how to conform to the statutory 18 licensing requirement; correct? 19 A. Correct. 20 Q. I know you were asked some questions 21 about that licensing requirement. I understand it's 22 your testimony that the Division determined TLIC-A's 23 eligibility for a Certificate of Authority in Iowa 24 will be premised on SGLUSA's qualification in 25 addition to an initial capitalization of \$5 million.	Page 75 1 Is that correct? 2 A. In addition to that, there was a net 3 worth maintenance agreement that was required for 4 Transamerica Life to support the capitalization of 5 TLIC-A until simultaneous merger. 6 Q. Did you understand that, as part of their 7 evaluations, both RRC and the Milliman team 8 considered cedent interests and concluded they were 9 adequately protected? 10 A. In this process, our objective is, across 11 the board, to make sure all counterparties, cedents, 12 and policyholders are protected appropriately. 13 Q. Do you believe the plan, as amended, 14 accomplishes that? 15 A. I do. 16 MS. SOLE: Thank you. 17 COMMISSIONER OMMEN: In terms of 18 timekeeping, my questions will be basically assigned 19 to the party that's put the witness on the stand. 20 So I'm going to go ahead and ask a few 21 questions because I want to make sure that, as we go 22 through this process, the parties have an 23 opportunity to react with any redirect or recross. 24 Ms. Gerst, I do serve as the co-vice 25 chair of the RBC Model Governance Task Force. So
Page 76 1 we've been looking at this whole issue of RBC and 2 what it's used for. 3 I know in the evidence that was presented 4 prehearing there was a lot of reference to RBC. I 5 assume you're familiar as well with the purpose of 6 RBC? 7 THE WITNESS: I am. 8 COMMISSIONER OMMEN: I guess I would like 9 your comment or your thoughts with regards to -- I 10 mean, clearly RBC is for the purpose of identifying 11 weakly capitalized companies for the purpose of 12 triggering regulatory action. 13 And, frankly, we've had a lot of 14 discussions about the fact that RBC really is not 15 that effective. In fact, we actually say it's 16 improper to use it to show relative strength. 17 I know that in rendering your opinion 18 about adequate protection with the proposed plan you 19 considered other things, but to what degree, in your 20 opinion, is RBC even relevant to an inquiry with 21 regards to financial strength? 22 THE WITNESS: RBC is a solvency measure. 23 As you said, it's used for insurance divisions to 24 identify weakly capitalized companies and triggers 25 for insurance divisions to step in.	Page 77 1 The risk profile of two companies can be 2 very different. So the RBC ratio is not directly 3 correlated to financial strength. The 400 percent 4 versus the 350 or 200 can't be directly compared 5 unless you know the underlying risks of 6 sensitivities and risks that are being taken by both 7 organizations. 8 So, as I assessed the Plan of Division 9 and the right time, the right business objective, 10 you have to assess the other mechanisms that provide 11 capital security and protections to cedents, 12 policyholders, and counterparties. And that 13 includes those capital maintenance agreements. 14 As you look at rating agencies, they get 15 that full perspective of the overall organization 16 and the tools and capital mechanisms for which they 17 manage their capital. 18 COMMISSIONER OMMEN: You also identified 19 that this was a case of first impression. And so 20 I'm actually just interested -- as you've referenced 21 all of the work that was done in this, both the work 22 that was done by the Division in interacting with 23 Transamerica but also as you've had a chance to look 24 over the evidence, one of the issues really does 25 relate back to the standard of approval in 521I.8.

Page 78 1 And the provision that, frankly, has 2 drawn my greatest attention is the provision that 3 describes that the interests of the policyholders, 4 creditors, or shareholders of the dividing insurer 5 will be adequately protected. And that the Plan of 6 Division is not unfair or unreasonable to the 7 policyholders of the dividing insurer. And, 8 thirdly, it's not contrary to public interest. 9 Again, there's been this disagreement 10 apparently about what it is that the cedents are in 11 that framework of analysis. And I mostly heard you 12 just say -- referencing this idea that the interests 13 are adequately protected. 14 On behalf of Transamerica, do you have an 15 opinion as to how the rest of those provisions apply 16 to cedents? 17 THE WITNESS: Yeah. As we evaluated the 18 policyholder, creditors, and other obligors of a 19 company, it's a way to categorize assets and 20 liabilities. And, in that division, you're 21 segregating assets and liabilities related to 22 contracts. That may be contracts with 23 policyholders, that may be contracts with 24 reinsurers. 25 We, in our plan, correlated a cedent or a	Page 79 1 reinsurance to a policyholder to make sure that we 2 were taking care of them and protecting them and 3 viewing them in the same diligence that needed to be 4 done with a policyholder. 5 But, at the end of the day, it is a 6 segregation of contracts that happens in a division. 7 And, technically, because, as Mintz said, they're 8 not covered by the Guaranty Fund Association, they 9 really are creditors. 10 COMMISSIONER OMMEN: All right. Let's go 11 to redirect. 12 Is there any redirect from Transamerica? 13 MS. RICHARDSON: Commissioner, we don't 14 have any. 15 COMMISSIONER OMMEN: I don't think SCOR 16 had questions to begin with. 17 MR. CHAKRABORTY: No, sir. 18 COMMISSIONER OMMEN: So let's go to AGL. 19 Do you have any additional recross? 20 MR. CHAKRABORTY: No, sir. 21 COMMISSIONER OMMEN: Anything further 22 from the Division? 23 MS. SOLE: No, sir. 24 COMMISSIONER OMMEN: Thank you, 25 Ms. Gerst. You may step down.
Page 80 1 THE WITNESS: Thank you. 2 COMMISSIONER OMMEN: Transamerica may 3 call your next witness. 4 MR. KINNEY: The next witness is actually 5 going to be Mr. Robbins on behalf of SCOR. 6 COMMISSIONER OMMEN: Mr. Robbins, you'll 7 need to be seated up here. And you will need to 8 testify under oath. 9 So if the court reporter could administer 10 the oath, please. 11 BROCK ROBBINS, 12 called as a witness by SCOR Global Life USA, being 13 first duly sworn by the Certified Shorthand Reporter, 14 was examined and testified as follows: 15 MR. KINNEY: Commissioner, Deputy AG 16 Bull, I'm Tom Kinney from Troutman Pepper Locke on 17 behalf of SGLUSA. 18 COMMISSIONER OMMEN: And if you could 19 speak up just to make sure that -- we have this tool 20 that creates softening white noise. So please make 21 sure you speak loud enough to speak over the white 22 noise. 23 MR. KINNEY: Thank you very much, sir. 24 25	Page 81 1 DIRECT EXAMINATION 2 BY MR. KINNEY: 3 Q. Good morning, Mr. Robbins. Would you 4 please take a moment to introduce yourself to the 5 Commissioner and the Deputy Attorney General? 6 A. Sure. I'm Brock Robbins. And I am CEO 7 of SCOR's U.S. -- global U.S. life and health 8 reinsurance business. That was tough to get out. 9 Sorry. I apologize. 10 Q. Mr. Robbins, you submitted two witness 11 statements in this matter; is that right? 12 A. Yes, I did. 13 Q. And so you understand that those witness 14 statements constitute your testimony in this matter? 15 A. I do. 16 Q. Is there anything in either of your 17 witness statements that you'd like to correct or 18 amend for the record? 19 A. No, there isn't. 20 Q. Sir, can you provide the Commissioner and 21 the Deputy Attorney General with a summary of your 22 background and your connection to the proposed 23 transaction? 24 A. Sure. So let's see. I'm a actuary by 25 background. And, again, as I said, I'm CEO of SCOR

Page 82 1 Global Life's U.S. life and health reinsurance 2 business. I've been in that role since 2024. Right 3 at the end of 2024. 4 But previously I actually started at 5 Transamerica Re in 2003. I was there as a member of 6 senior management until 2011 and then was part of 7 the business that was acquired by SCOR and came 8 along with SCOR, along with the rest of the 9 Transamerica Re employees, and have been involved 10 with that business ever since. And, again, myself, 11 in a senior leadership role. 12 Q. Thank you, sir. Now, in your initial 13 witness statement, you offered some testimony about 14 SGLUSA's capital condition. 15 Can you briefly explain to the 16 Commissioner and the Deputy Attorney General SCOR's 17 strategic approach to capital management? 18 A. Sure. And, again, I think this is 19 similar to a lot of reinsurers as well. But SCOR's 20 approach, and I think you've heard it described 21 elsewhere, too, is a company that, as a global 22 reinsurer, we hold capital at the center of the 23 organization. 24 And then we do make sure that our local 25 legal entities, operating legal entities, have a	Page 83 1 sufficient amount of capital to be strong. 2 But it's important that we hold the 3 capital at the center of the organization because it 4 enables us to develop diversification risks, 5 diversifying different risk from across the world, 6 and then being able to make that more economic, 7 because we have to hold a little bit less capital 8 because you can balance things off, and then be able 9 to pass that on to the ceding companies who are 10 looking for more economical reinsurance prices to 11 then help the policyholder. 12 So effectively we're a very -- you know, 13 we're kind of making efficiencies by being able to 14 pool risks at a broader global level. 15 And so, when you step back and think 16 about SCOR, and think about our U.S. business within 17 SCOR, well, we're 25 percent of the entire company. 18 We're the biggest single business unit at SCOR, life 19 and health business, in the U.S. 20 And so, with that, it's very important 21 that we are strong financially. Because it's really 22 core to the overall franchise and health of SCOR 23 Global. 24 So it's very, very intertwined. 25 Q. And, sir, where does SGLUSA sit within
Page 84 1 SCOR's U.S. operations? 2 A. Oh. SGLUSA, it's the flagship company 3 that we have in the U.S. It's the company we write 4 all of our new business. And have written there 5 since 2014. 6 And, again, so that's the key operating 7 company that we have in the U.S. It's based in 8 Delaware. 9 Q. Now, sir, there's been some discussion 10 about the various capital maintenance agreements and 11 parental guarantees between SCOR SE and some of the 12 U.S. entities. 13 Can you give the Commissioner and the 14 Deputy Attorney General sort of an overview of how 15 those agreements support SGLUSA's operations? 16 A. Yeah, I certainly can. And just kind of 17 stepping back, first, as just a level set. We've 18 never actually used and called upon the capital 19 maintenance or parental guarantee agreements. 20 That's not how it works. 21 You know, we manage capital and are very 22 focused capital and are projecting it on a regular 23 basis, updating projections, monitoring it, just to 24 make sure that we are allocating it effectively 25 across the organization and that our local entities,	Page 85 1 local operating entities in the U.S., have the 2 appropriate amount of capital for what we need in 3 effect. So we're monitoring things very carefully. 4 To the extent that -- you know, if there 5 was ever a situation where we had to call upon the 6 capital maintenance agreement or the parental 7 guarantee, those are really seen as backstops that a 8 regulator can certainly rely upon. 9 But, again, given the strategic nature of 10 our business here in the U.S. and how important we 11 are, it's something that we manage very, very 12 carefully so that it's not something that we need to 13 call on, if you would. 14 Q. Mr. Robbins, AGL's prehearing submission 15 notes that, as of January 1st of this year, there's 16 a new master services agreement for the parental 17 guarantee which establishes a framework for 18 allocating costs associated with the parental 19 guarantees. 20 Can you give the Commissioner and the 21 Deputy Attorney General a sense of what those costs 22 are. 23 A. Yeah. So I did have the team kind of go 24 and look and see what the level of those costs are. 25 And they're very, very small. I think for the full

Page 86 1 year, for SGLUSA, on a quarterly basis it's about 2 \$50,000. And then, if you look at SGLA, it's about 3 \$70,000 on a quarterly basis. So, again, very, very 4 small. 5 Q. And, sir, will that new cost have a 6 material impact on the SGLUSA cash flows that RRC 7 relied on? 8 A. No. Not only would it be an immaterial 9 impact given the size, but then as well, too, 10 actually within the cash flows that RRC received, 11 that same level of expense was already included. It 12 was just allocated a different way within the 13 overall expenses from the entity. We just kind of 14 changed the way that things were billed in 2026 15 going forward. 16 But, again, actually, it wouldn't affect 17 the cash flows at all. As near as I can tell. 18 Q. Thank you, sir. How do you respond to 19 AGL's suggestion that SGLUSA's financial condition 20 is not sufficient to adequately protect the 21 interests of cedents like AGL? 22 A. Yeah, I definitely disagree with that 23 pretty vehemently. You know, when you kind of step 24 back -- and I think Bonnie did a good job of saying 25 it as well too. Is that -- you know, overall we	Page 87 1 have equivalent financial strength. The way that we 2 manage capital, or manage our RBC at the local 3 entity level, differs, but it does differ oftentimes 4 between reinsurers and direct companies. And we saw 5 that, I think, in the Milliman report that I think 6 was certainly introduced here in evidence. Where 7 our RBC in SGLUSA is right in the middle of our 8 reinsurance competitors. 9 So, from that perspective, not only is a 10 financial strengths rating, which incorporates all 11 of the financial strength of the organization, 12 equivalent and actually exactly the same as Aegon's, 13 also our Solvency II solvency ratio at the global 14 level is higher than Aegon's. 15 So, again, that's just one measure. You 16 have to look at all the measures. But, again, we're 17 a very, very strong counterparty. As is Aegon as 18 well. 19 Q. Sir, your witness statement acknowledges 20 that, in addition to AGL, Sun Life, Protective, and 21 John Hancock have each objected to the proposed 22 transaction. 23 Is that right? 24 A. Yes. That's correct. 25 Q. Sir, do you know, how many cedents,
Page 88 1 approximately, will have agreements allocated by the 2 proposed transaction? 3 A. A little over a hundred. To my 4 understanding. 5 Q. So is it safe to say that the entities 6 who have filed objections are in the minority? 7 A. Yes, they're in the small minority, I 8 would say. 9 MR. KINNEY: Thank you. I have no 10 further questions. 11 COMMISSIONER OMMEN: AGL? 12 CROSS-EXAMINATION 13 BY MR. CHAKRABORTY: 14 Q. I don't have that many questions for you, 15 Brock. You and I know each other as well too; 16 right? 17 A. Yes, we do. 18 Q. Apparently I've litigated against 19 everyone these days. 20 I think you mentioned that you were at 21 Transamerica since 2003? 22 A. Yes. That's correct. 23 Q. And were you part of the retrocessional 24 agreement negotiations between Transamerica and 25 SCOR?	Page 89 1 A. Which ones are you referencing? 2 Q. The 2011. 3 A. Let's see. Yeah, I would have been -- 4 so -- I mean, I was certainly part of the sale 5 process in the sense that -- you know, I was 6 involved as a senior leader at Transamerica. I was 7 part of the sale process with respect to interacting 8 with potential purchasers and things like that. 9 When it got to the specific contractual 10 piece of it, that's not something that I was 11 involved in. 12 Q. Well, you focused on the part I wanted to 13 ask about. Which Ms. Gerst didn't know the answer 14 to. 15 Did Transamerica have other purchasers 16 that it was considering other than SCOR? 17 A. I'm not sure if I'm able to answer that. 18 Q. You don't have to tell me their names. 19 Yes or no. 20 A. Yes. 21 Q. And did you consult with the cedents as 22 to who Transamerica's purchasers would be? 23 A. I wouldn't know that. 24 Q. And, in the process that Ms. Gerst 25 discussed that has been going on since 2024, and

Page 90 1 Ms. Sole brought out on the record, how many times 2 did you have a discussion with a cedent about the 3 terms of the Plan of Division? 4 A. I don't recall having a discussion with a 5 cedent about the terms. 6 Q. And you heard during my questioning of 7 Ms. Gerst that there was a 2012 novation request 8 that was sent by SCOR, a post-retrocessional deal, 9 asking cedents like AGL to novate those treaties. 10 Do you recall hearing that? 11 A. I do. 12 Q. How many times since 2012 has SCOR 13 approached AGL, again, to ask for a novation of 14 those treaties? 15 A. I don't know. 16 MR. CHAKRABORTY: I don't have anything 17 else. 18 COMMISSIONER OMMEN: Thank you. 19 Insurance Division, any 20 cross-examination? 21 MS. SOLE: No, sir. 22 COMMISSIONER OMMEN: In light of the very 23 brief cross-examination, any additional questions on 24 redirect? 25 MR. KINNEY: No.	Page 91 1 COMMISSIONER OMMEN: Thank you, sir. 2 THE WITNESS: Thank you. 3 COMMISSIONER OMMEN: Let's go ahead, 4 since we're between witnesses, and take a 15-minute 5 break. So it's now 9:43. We'll recess until 10:00. 6 (Recess taken at 9:43 a.m.) 7 (Hearing resumed at 9:59 a.m.) 8 COMMISSIONER OMMEN: We're back on the 9 record, and I think we're ready to proceed with the 10 next witness. 11 Any further witnesses from SCOR? 12 MR. KINNEY: Yes. Mr. Hayward. 13 COMMISSIONER OMMEN: Mr. Hayward, if 14 you'd come forward and be placed under oath so we 15 can receive your testimony. 16 SEAN HAYWARD, 17 called as a witness by SCOR Global Life USA, being 18 first duly sworn by the Certified Shorthand Reporter, 19 was examined and testified as follows: 20 COMMISSIONER OMMEN: You may proceed. 21 DIRECT EXAMINATION 22 BY MR. KINNEY: 23 Q. Good morning, Mr. Hayward. Would you 24 please take a moment to introduce yourself? 25 A. Sure. I'm Sean Hayward. I'm the chief
Page 92 1 reserving actuary for SCOR's U.S. life and health 2 business. 3 Q. Mr. Hayward, what are your 4 responsibilities as chief reserving actuary? 5 A. So my team is responsible for all the 6 financial projections that are used for external and 7 internal reporting purposes, both IFRS 17 and 8 Solvency II, as well as all of our regulatory 9 reserving projections. 10 Q. Mr. Hayward, you submitted a rebuttal 11 witness statement in this matter; is that right? 12 A. Yes. 13 Q. And do you understand that this witness 14 statement constitutes your testimony? 15 A. Yes. 16 Q. Sir, at a high level, can you explain to 17 the Commissioner and the Deputy Attorney General 18 what role you played in the proposed transaction. 19 A. Sure. So the transaction itself I didn't 20 have an active role. Where I first got involved 21 was, as RRC was doing their analysis, they had some 22 questions about -- as Mr. Robbins described earlier, 23 the corporate and capital structure of SCOR is 24 different than a direct writer. And then, as they 25 started digging into some of the financial	Page 93 1 projections, they had some questions there. 2 So really my job was to help them 3 understand what had been provided and answer any 4 questions. 5 Q. So you testified in your rebuttal 6 affidavit, and just a second ago in your response, 7 that one of the issues you helped clarify for RRC 8 was SCOR's internal retrocessional structure and the 9 various capital maintenance agreements that were in 10 SCOR's strategic plan. 11 Can you briefly, at a high level, provide 12 an overview of those issues for the Commissioner and 13 the Deputy Attorney General. 14 A. Sure. And it is similar to what 15 Mr. Robbins said earlier. SCOR is a global 16 reinsurer. Our parent company is in France. We 17 have a number of legal entities within the U.S. 18 And our general method for managing 19 capital is to maintain maximum flexibility at the 20 group level. So we've worked with Delaware on what 21 we should maintain in our legal entities within the 22 U.S. And then any excess, we've given it up to SCOR 23 group. And then, as entities need it, we will 24 dividend it back -- or contribute it back down into 25 those entities.

Page 94

1 Q. So you also testified that you helped RRC
2 understand SCOR's views regarding its projected
3 future cash flows.
4 Can you briefly explain to the
5 Commissioner and the Deputy Attorney General the
6 different types of financial projections that SCOR
7 shared with RRC.
8 A. Sure. So, fundamentally, there's really
9 one set of best estimate assumptions is what I would
10 call it. So, with respect to modeling premiums and
11 mortality and policyholder behavior, as well as what
12 we would call management actions, both for actions
13 we can take as well as the cedents can initiate, we
14 have a best estimate set of assumptions. And so
15 those were provided.
16 Additionally, for some of our regulatory,
17 in particular asset adequacy testing, we have what
18 are referred to in the various documents as a
19 prudent estimate. The only difference there is
20 pending management action, so actions where we have
21 notified a cedent, the timing of those can be
22 unpredictable.
23 So, for asset adequacy purposes, we don't
24 want to guess on when those are going to resolve or
25 what the outcome is going to be. So we just remove

Page 96

1 Basically, those best estimate
2 assumptions and projections are kind of the
3 foundation for how we look at the business.
4 COMMISSIONER OMMEN: Let me interrupt
5 just for a moment.
6 Most of those of us in the room probably
7 all known what IFRS is. But, for the benefit of any
8 potential review by someone else, can you describe
9 what that is.
10 THE WITNESS: Sure. So IFRS 17 is a
11 global accounting standard. So U.S. companies
12 potentially refer to the U.S. GAAP. Which is the
13 local, the U.S. version, of kind of the public
14 reporting accounting standards. IFRS 17 is
15 basically the non-U.S. version of that.
16 And then Solvency II, which I think I
17 mentioned and may come up, that is kind of the
18 global version of RBC. That is the required capital
19 and solvency measurement that's used outside the
20 U.S. Whereas, RBC is the main framework used within
21 the U.S.
22 COMMISSIONER OMMEN: Just be careful of
23 those acronyms.
24 THE WITNESS: Fair enough. I appreciate
25 the clarification.

Page 95

1 pending management actions altogether from the
2 projections.
3 So that is what's referred to as the
4 prudent estimate.
5 I do want to make a slight revision
6 to something I -- or a clarification probably on
7 something I said in my affidavit where -- I think I
8 make a statement that there's no place where SCOR
9 makes use of that prudent estimate assumption.
10 What I meant was from a management --
11 like, a management of the business standpoint, we
12 don't. We do use that projection for asset adequacy
13 testing.
14 But, otherwise, that projection, that's
15 its sole purpose. Our best estimate includes these
16 pending management actions.
17 Q. And conversely, sir, what does SCOR use
18 the best estimate projections for?
19 A. For that, we use it for everything. So
20 they're the foundation of our IFRS 17 and
21 Solvency II external reporting requirements. Which
22 are fully audited and governed by a couple of
23 different regulators. The Irish regulator and the
24 French regulator. We use that for all our internal
25 planning and analysis purposes.

Page 97

1 COMMISSIONER OMMEN: You may proceed.
2 BY MR. KINNEY:
3 Q. Mr. Hayward, you testified a moment ago
4 you were asked to explain these issues to RRC.
5 Can you explain why you submitted a
6 rebuttal witness statement?
7 A. Sure. Similar to the function that I
8 attempted to play throughout the RRC's work, which
9 was to help clarify and answer any questions,
10 reading through AGL's submission it seemed like
11 maybe there was some clarifications that could be
12 used and that I could potentially serve a similar
13 role here for the Commissioner and the Deputy AG to
14 help kind of clarify some of the points that were
15 made in there as well.
16 MR. KINNEY: Thank you, Mr. Hayward. I
17 have no further questions.
18 COMMISSIONER OMMEN: Does Transamerica
19 have any cross?
20 MR. KORN: We do not.
21 COMMISSIONER OMMEN: Let's move to AGL.
22 MR. CHAKRABORTY: So, Commissioner Ommen,
23 I am going to show the projections to the witness.
24 Those have been designated as confidential. I don't
25 know if there will be a need to actually talk about

[illegible]

Response	Percentage
U.S. should take action	95%
U.S. should not take action	5%

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4 COMMISSIONER OMMEN: [REDACTED]

9 Would you announce your next witness.

10 MS. HIGGENBOTHAM: Mr. Laird Zacheis.

11 COMMISSIONER OMMEN: Please have a seat.

12 And you will need to be placed under oath.

13 LAIRD ZACHEIS,

14 called as a witness by Transamerica Life Insurance

15 Company, being first duly sworn by the Certified

16 Shorthand Reporter, was examined and testified as

17 follows:

18 MS. HIGGENBOTHAM: And I'm Katherine

19 Higgenbotham from Willkie.

20 COMMISSIONER OMMEN: You may proceed with

21 your direct examination.

22 DIRECT EXAMINATION

23 BY MS. HIGGENBOTHAM:

24 Q. Would you please introduce yourself and

25 tell us what you do for a living.

1 A. Good morning. I'm Laird Zacheis. I'm a

2 principal and consulting actuary with the firm of

3 Milliman, Inc. I've been there 35 years. I've

4 focused my career on advising life insurance company

5 transaction activity.

6 Q. And are you familiar with the Plan of

7 Division that's been submitted to the Commissioner?

8 A. I am.

9 Q. And how did you come to be familiar with

10 the Plan of Division?

11 A. I was retained by Transamerica and SCOR

12 to perform financial analysis with respect to the

13 Plan of Division and Merger with respect to the Iowa

14 statute requirements.

15 Q. And did you submit prefiled testimony in

16 this matter?

17 A. I did.

18 Q. And is that your affidavit in front of

19 you?

20 A. Yes.

21 Q. And are the contents of the affidavit

22 true and correct to the best of your knowledge?

23 A. Yes. They are.

24 Q. And did Milliman create a report in

25 connection with this engagement?

Page 130

1 A. Yes. Over the course of 2024 through
2 2026, we developed an initial analysis, and then
3 subsequently updated the analysis in 2026, where we
4 spent about three months working with Transamerica
5 and SCOR in reviewing their financial information.
6 We worked with several colleagues to pull
7 together our findings into a report. A draft report
8 was discussed initially with SCOR and Transamerica
9 and then ultimately with the Iowa Insurance Division
10 and with RRC.
11 Q. And the report. Is that also in front of
12 you?
13 A. Yes.
14 Q. And that's a true and correct copy of the
15 May 29th, 2026, updated Milliman report?
16 A. That's correct.
17 Q. Could you describe the scope of your
18 assignment? What Milliman was asked to do by
19 Transamerica and SCOR.
20 A. We were asked to review a series of
21 financial information, financial analysis, related
22 to the potential transaction. And, in particular,
23 to review the state of TLIC and the merged SGLUSA
24 post transaction for their financial stability, for
25 the security to the underlying cedents, for

Page 132

1 Q. And are you familiar with Amendment No. 1
2 to the Plan of Division?
3 A. Yes, I am.
4 Q. And did Amendment No. 1 to the plan
5 affect Milliman's conclusions?
6 A. No. We reviewed the impact of excluding
7 the Hancock treaties from the perimeter of the
8 division and merger, from the financial analysis we
9 saw, as well as the structure of what we understood
10 was happening.
11 The financial results were immaterial as
12 a result of the -- the impact was immaterial as a
13 result of Amendment No. 1. So it had no impact on
14 our conclusions.
15 Q. And did you review AGL's prehearing
16 filings in this matter?
17 A. I've read it, yes.
18 Q. Are there any criticisms of Milliman's
19 analysis that you would like to respond to or
20 address here?
21 A. In reading the AGL material, I did not
22 really see any criticism of our work itself. So I
23 have nothing to respond to.
24 Q. And are you aware that AGL says that you
25 prepared your report at the request of RRC?

Page 131

1 solvency, and for the other items contained in the
2 Iowa statute.
3 Q. And what did Milliman do to conduct its
4 analysis?
5 A. Over the course of the several months, we
6 requested and received a variety of information from
7 SCOR and Transamerica, including historic financials
8 for the business, pro forma projections for the
9 merged SGLUSA.
10 We reviewed reserve adequacy for the
11 SGLUSA pre merger and analyzed the capital position
12 before and after the transaction, RBC ratios before
13 and after the transaction, certain other items, such
14 as liquidity analysis, and as well reviewed several
15 stress tests and a variety of sensitivity tests for
16 that financial information.
17 Q. And what were Milliman's conclusions
18 based on the analysis?
19 A. So, from our work, we concluded that,
20 post transaction, both TLIC and the merged SGLUSA
21 were financially stable. Their RBC ratios were in
22 line with peers. The companies were -- the two
23 companies were solvent. The financial conditions
24 for the merged SGLUSA to continue to transact
25 reinsurance business in the state of Iowa were met.

Page 133

1 A. I saw that comment, yes.
2 Q. Is that accurate?
3 A. No, it's not accurate, and I believe it's
4 a misreading of the text we do have in our report.
5 Once our report was assembled, at the
6 request of Transamerica and SCOR, we did provide it
7 to the Iowa insurance department and to RRC for
8 their background and to -- as they were pulling
9 together their work.
10 We then had a number of conversations
11 with RRC, including members of SCOR and TLIC and the
12 Iowa insurance department, to explain our work as
13 would be typical for this process.
14 But our work was within the scope defined
15 by Transamerica and SCOR and was not directed by
16 RRC.
17 MS. HIGGENBOTHAM: Thank you. I don't
18 have any other questions.
19 COMMISSIONER OMMEN: Any
20 cross-examination by SCOR?
21 MR. SCHWAB: No, sir. Thank you.
22 CROSS-EXAMINATION
23 BY MR. CHAKRABORTY:
24 Q. Good morning.
25 A. Good morning.

Page 134

1 Q. Can I get your last name pronunciation
2 just so I don't mess it up?
3 A. Zacheis.
4 Q. We haven't met either; right?
5 A. I don't believe so.
6 Q. I just want to start with what you said
7 at the very end. That AGL had misread the statement
8 that the report was prepared at the request of the
9 Iowa Insurance Division's expert.
10 So I want to actually read into the
11 record -- and this is on the disclaimer page of your
12 report. It says "At the request of the Iowa
13 Insurance Division's expert Risk & Regulatory
14 Consulting, LLC, the Transamerica group of companies
15 and SCOR Global Life Americas Reinsurance Company
16 and its affiliates and parents are providing this
17 Milliman, Inc.," Milliman in quotation marks,
18 "report."
19 So I'm trying to understand. What
20 request are you referring to here and from whom was
21 that request received?
22 A. The request was to provide a copy of our
23 report to the Iowa Insurance Division and to RRC.
24 The request came to us through Transamerica and
25 SCOR. I don't know who made the original request

Page 136

1 SCOR and Transamerica decided to put it on hold.
2 That happens frequently in our line of work. So --
3 but I'm not aware of the precise reasons in this
4 case.
5 Q. No one told you why the work was being
6 put on hold?
7 A. I believe that we were informed there
8 were internal systems and kind of procedures,
9 cleanups, going on in SCOR at the time, and they
10 felt they would be better prepared to do it at a
11 later point. But we did not get any details.
12 Q. I guess I'm a little confused. Because I
13 think we heard from Ms. Gerst that this has been
14 operating 15 years the same way.
15 What systems were being updated in 2024?
16 A. I don't know that it was related to this
17 business at all, but I'm not aware of precisely what
18 was being updated.
19 Q. In the next sentence of the disclaimer,
20 it says "This report should not be relied upon by
21 any person."
22 Do you see that?
23 A. Yes.
24 Q. Does that include RRC?
25 A. The reliances, as we laid them out, are

Page 135

1 with RRC.
2 Q. And when was that request made?
3 A. I don't recall exactly when the request
4 was, but, for the recent report, I believe the
5 discussions with RRC and the Iowa Insurance Division
6 were occurring through the earlier part of this
7 year. So March/April kind of time frame.
8 Q. When did you first have communication
9 with RRC about the Plan of Division?
10 A. Our initial communication would have been
11 in the fall, maybe early fall, of 2024.
12 Q. 2024. And how many times have you spoken
13 to someone at RRC from 2024 until the date that you
14 provided this report to them?
15 A. There was initial work done in the fall
16 of 2024 and then that was put on hold. That
17 involved a number of conversations, I don't recall
18 how many, but I might have guessed six or eight.
19 Then I don't recall any communication,
20 although there could have been some, in 2025.
21 When the work resurrected in 2026, after
22 we had updated our work, we began additional
23 conversations with RRC and the department.
24 Q. Why was the work put on hold in 2024?
25 A. I'm not aware of the reasons other than

Page 137

1 clear that we did our work on behalf of our clients.
2 Transamerica and SCOR. And that, from a legal
3 perspective, we don't owe a fiduciary duty -- owe a
4 duty to other parties.
5 Q. So let me ask it a different way. Is it
6 your view that RRC should or should not rely on
7 Milliman's report?
8 A. My view is that RRC should come to their
9 own conclusions and should not rely on our
10 conclusions. There is material in the report where
11 we likewise provided that material to RRC and would
12 feel it's appropriate for them to use in their work.
13 The materials that were developed by SCOR
14 and Transamerica we would think should be used for
15 both parties. Or both reports. Both expert
16 reports.
17 Q. Well, since you raised the issue of
18 materials provided by Transamerica and SCOR, why
19 don't you turn to page 3 of your report.
20 "Reliances & Limitations."
21 And paragraph 2. I'll read it into the
22 record. "In preparing this report, we have relied
23 upon information provided by the companies. To the
24 extent such information is incomplete and/or
25 inaccurate, the conclusions set forth in this report

Page 138 1 may be impacted. Information relied upon 2 includes" -- and I'll stop the quote there. 3 Have I read that portion correctly? 4 A. Yes. 5 Q. And "companies" refers to Transamerica 6 and SCOR. 7 A. In this case, that's correct. 8 Q. And one of the things that you relied on, 9 as prepared by the companies, were the "Pro forma 10 projections for SGLUSA created by SCOR." 11 Do you see that? 12 A. Yes. 13 Q. And you didn't do anything to verify 14 those numbers, did you? 15 A. We, in our actuarial work, do a review of 16 numbers. We are not auditors. We are not auditing 17 numbers. We review them for reasonableness and how 18 they tie to historic financials. But, nevertheless, 19 we did rely on their projections. 20 Q. And one of the things you noted in your 21 direct examination is that AGL hasn't done a direct 22 criticism of Milliman's work. 23 Right? 24 A. Not that I saw or felt I needed to 25 respond to.	Page 139 1 Q. But you would agree with me that the 2 financial analysis that Milliman did was largely 3 limited to the 2026 to 2028 time period. Going 4 forward. 5 Is that fair? 6 A. No, the review of reserve adequacy, by 7 its nature and by the nature of that review, does 8 look at the lifetime of cash flows, lifetime of 9 earnings on the inforce business. And, in that 10 case, is a 99-plus-year projection. 11 The SGLUSA entity projections we focused 12 on for a three-year period because those include 13 broader than just the inforce business. That's 14 their operating entity, it includes new business, 15 other items going on in the company. 16 And, typically, for that kind of open 17 company including new business, we would look at a 18 shorter time period because of the inherent 19 uncertainty around new business and future 20 operations. 21 Q. So back to my question. Which is, for 22 SGLUSA, you only looked at three-year projections. 23 Is that right? 24 A. For the inforce business of SGLUSA, we 25 looked at lifetime projections. For the corporate
Page 140 1 entity projections that include more than just the 2 inforce projections, that was a three-year period. 3 Q. When did you receive the best estimate 4 projections that I discussed with Mr. Hayward? 5 A. The best estimate projections that 6 include management rate actions were not utilized 7 for purposes of our report. We received them, along 8 with RRC, as they were getting their material. 9 Q. And when was that? 10 A. I don't recall when that was. 11 Q. And just one last set of questions. I 12 think you said that through Amendment No. 1 there is 13 no material impact -- actually, withdraw that 14 question. 15 When you made a reference to there not 16 being a material impact, what entity are you 17 referring to? A material impact on SGLUSA? On 18 Transamerica? On something different? 19 A. My comment is in reference to TLIC and 20 the merged SGLUSA. 21 Q. So that there was no material impact on 22 TLIC if 50 percent of the block by premium volume, 23 which is what John Hancock represents, I think, is 24 excluded. 25 Is that your conclusion?	Page 141 1 A. My reference specifically was to the 2 financial analysis we performed on TLIC and 3 specifically around the RBC impact to TLIC of the 4 Plan of Division and Merger. 5 Excluding the John Hancock business -- 6 under the original -- prior to Amendment No. 1, 7 under the Plan of Division and Merger, TLIC's RBC 8 ratio increases about four percentage points. And 9 including Amendment No. 1 had no material impact on 10 that four percentage point increase. 11 Q. And so if Transamerica, instead of just 12 excluding John Hancock, excluded all cedents, which 13 means abandoned the plan, would that also lead to a 14 material impact on TLIC's RBC? 15 A. If TLIC -- TLIC, prior to the entire Plan 16 of Merger and division, would be four points lower 17 RBC than with the Plan of Merger and division. And 18 that would be a more material impact, but I, again, 19 think it's still only a 1 percent change in their 20 RBC ratio. 21 MR. CHAKRABORTY: Thank you. I 22 appreciate your time. 23 COMMISSIONER OMMEN: Cross-examination by 24 the Division? 25 MR. KOSNOFF: No, Commissioner.

Page 142 1 COMMISSIONER OMMEN: In light of the 2 cross, any redirect? 3 MS. HIGGENBOTHAM: No redirect. 4 COMMISSIONER OMMEN: Thank you, sir. You 5 may step down. 6 Any further witnesses by Transamerica? 7 MR. KORN: No further witnesses from 8 Transamerica. 9 COMMISSIONER OMMEN: Any further 10 witnesses by SCOR? 11 MR. SCHWAB: No, sir. 12 COMMISSIONER OMMEN: Any witnesses to be 13 called -- I don't think you disclosed any, but by 14 American General? 15 MR. CHAKRABORTY: No, sir. 16 COMMISSIONER OMMEN: Any witnesses to be 17 called by the Division? 18 MR. KOSNOFF: Yes, Commissioner. RRC. 19 COMMISSIONER OMMEN: With that, by name, 20 you may call your witness to the stand. 21 MR. KOSNOFF: Commissioner, we'd like to 22 call Tricia Matson of RRC. 23 COMMISSIONER OMMEN: Ms. Matson, you'll 24 need to come over, assume the chair, and be placed 25 under oath.	Page 143 1 PATRICIA MATSON, 2 called as a witness by the Iowa Insurance Division, 3 being first duly sworn by the Certified Shorthand 4 Reporter, was examined and testified as follows: 5 COMMISSIONER OMMEN: Counsel, you may 6 proceed with direct examination. 7 MR. KOSNOFF: Thanks, Commissioner. We 8 had thought that, for the benefit of members of the 9 public who are attending virtually or in person, it 10 would make sense for Ms. Matson to read her prefiled 11 public statement. 12 But, if you would like to us dispense 13 with that and just move into her testimony, that 14 would be fine. We should say that much of her 15 testimony will be confidential. 16 COMMISSIONER OMMEN: All right. So, if 17 you have a question with regards to that prefiled 18 public available information, I think, for the 19 benefit of the public, that would be useful. 20 MR. KOSNOFF: That would be great. 21 DIRECT EXAMINATION 22 BY MR. KOSNOFF: 23 Q. Since it's short, Ms. Matson, if you 24 wouldn't mind just reading the public statement, 25 that would be great.
Page 144 1 A. Will do. 2 "My name is Patricia Matson. I am a 3 Fellow of the Society of Actuaries, a member of the 4 American Academy of Actuaries, and I currently serve 5 as president of the Academy. I am a co-managing 6 partner at Risk & Regulatory Consulting and I have 7 provided actuarial consulting services for over 30 8 years. Thank you for the opportunity to provide 9 this testimony." 10 "Risk & Regulatory Consulting was 11 retained by the Iowa Insurance Commissioner to 12 conduct an independent actuarial and financial 13 review of the proposed division of Transamerica Life 14 Insurance Company and the related merger of the 15 newly formed company into SCOR Global Life USA 16 Reinsurance Company." 17 "I was assisted in this work by several 18 other actuaries at my firm. Our overall conclusion 19 is that, based on the work we performed, the 20 proposed transaction appears reasonable from an 21 actuarial and financial perspective that we were 22 asked to review based on the requirements of Iowa 23 statutes." 24 "We believe the transaction meets the 25 statutory requirements regarding protection of	Page 145 1 affected parties and financial stability. Note that 2 the Iowa division law frames certain approval 3 criteria in terms of policyholder protection. The 4 parties affected by this transaction are cedents - 5 insurance companies that have ceded risk to 6 Transamerica under reinsurance agreements. Our 7 actuarial and financial review assessed whether 8 cedents' interests are adequately protected without 9 opining on how they should be classified as a matter 10 of law." 11 "In simple terms, we reviewed whether the 12 companies involved would remain financially sound 13 after the transaction and whether cedents would 14 continue to be protected. To do that, we reviewed 15 the Plan of Division, financial statements prepared 16 to show the companies' financial condition after the 17 transaction, reserve and capital information, 18 actuarial reports, including those from Milliman 19 (Transamerica's advisor), financial projections, and 20 materials describing SCOR's support for its U.S. 21 insurance companies." 22 "Our review included consideration of 23 solvency, reserves, capital, liquidity, financial 24 stability, and cedent impact. By 'solvency,' I mean 25 whether an insurance company is expected to have

Page 146 1 enough assets to meet its obligations. By 2 'reserves,' I mean the amounts an insurer sets aside 3 to pay claims and benefits. By 'capital,' I mean 4 the financial cushion that is available if 5 experience is worse than expected." 6 "We did not perform a legal review, 7 audit, or financial examination. We relied on 8 information provided by the companies and their 9 advisors. While we reviewed that information for 10 reasonableness and internal consistency, we did not 11 independently verify the underlying data." 12 "First, we found no reserve concerns that 13 would create a solvency issue. The reserves for the 14 business being transferred appear to have been 15 calculated using acceptable methods under the 16 applicable insurance laws. Although there were some 17 differences between Transamerica's and SCOR's 18 reserve calculations, these difference were 19 explained and did not change our overall 20 conclusion." 21 "Second, the transaction appears to move 22 existing assets, liabilities, and surplus between 23 insurers rather than create or remove value. In the 24 information we reviewed, the total assets, total 25 liabilities, and total surplus remain the same in	Page 147 1 the aggregate after the transaction." 2 "Third, both companies are expected to 3 remain solvent after the transaction. 4 Transamerica's financial position is not materially 5 weakened. SCOR Global Life USA's capital level is 6 lower than Transamerica's and is projected to 7 decline modestly over the next three years, but it 8 remains above important regulatory action levels 9 throughout the projection period and is supported by 10 the broader SCOR organization." 11 "Fourth, SCOR appears to have meaningful 12 financial support available for SCOR Global Life 13 USA. That support includes parent company 14 commitments and a history of supporting its U.S. 15 life and health insurance operations. This support 16 was an important consideration in our conclusion 17 that cedents remain adequately protected." 18 "Fifth, we did not identify liquidity 19 concerns. In plain language, we did not see any 20 indication that the company would lack the cash or 21 readily available assets needed to pay expected 22 claims and obligations." 23 "Sixth, we did not see evidence that 24 cedents would be treated unfairly. The business 25 involved in this transaction has already been
Page 148 1 economically reinsured to SCOR affiliates, and, 2 according to the Plan of Division, the proposed 3 transaction would convert that economic relationship 4 into a direct legal relationship." 5 "For these reasons, we concluded that the 6 proposed transaction satisfies the relevant 7 actuarial and financial criteria within the scope of 8 our review. In particular, cedent interests appear 9 adequately protected, the resulting insurers are 10 expected to remain solvent, and the assets of the 11 resulting insurers do not appear unreasonably small 12 for the business they will conduct." 13 "We also reviewed Milliman's August 8, 14 2026, memorandum called the 'Impact of July 29 Plan 15 Amendment on Milliman Report regarding the impact of 16 Transamerica's amendment to the plan, which 17 indicates that Milliman's opinion and conclusions 18 are unchanged. Based on this information, we 19 concluded that the amendment also did not result in 20 a change in our conclusions." 21 "In closing, our conclusion is not that 22 the transaction is free of all risk. Insurance 23 transactions always involve some uncertainty. 24 Rather, our conclusion is that, based on the 25 information we reviewed and the actuarial and	Page 149 1 financial standards we applied, we did not identify 2 concerns that would cause us to object to the 3 transaction based on Iowa statutory requirements 4 regarding protection of cedents or financial 5 stability." 6 Thank you. 7 Q. Ms. Matson, you indicated that you're 8 currently president of the American Academy of 9 Actuaries. 10 A. I am. 11 Q. What is that organization? 12 A. So the American Academy of Actuaries is a 13 20,000 member professional organization. So the 14 members are actuaries. It serves the U.S. 15 profession and also has a mission to serve the 16 public as it relates to actuarial issues. 17 So, as just an example of that to make it 18 clear, the Academy might help provide objective 19 advice on issues related to social security. 20 Because part of the mission is to help people that 21 need to have those pension benefits. 22 The organization also plays a significant 23 role in the professionalism structure for actuaries. 24 So housed within the Academy are the 25 Actuarial Standards Board. So that is a board that

Page 150

1 sets standards for all actuarial practice in the
2 U.S.
3 And the Academy also houses the actuarial
4 board for counseling and discipline. Which is a
5 counseling and discipline body that helps actuaries
6 when they're not sure about standards.
7 And it also involves a code of conduct
8 that all actuaries must follow and qualifications
9 standards to do the work that we do.
10 Q. Would those standards of the Academy have
11 applied to RRC's work in this engagement?
12 A. Yes.
13 Q. Ms. Matson, did you also have one or more
14 roles with the Actuarial Standards Board?
15 A. Yes. I've had several roles with the
16 Actuarial Standards Board. So, again, that board
17 sets the standards for practice in the U.S. I was
18 on the board for six years ending in 2015. The last
19 two years I chaired that board. And I also have
20 volunteered on other committees helping write
21 standards for actuaries.
22 Q. And that board establishes standards as
23 well that would have applied to RRC's engagement?
24 A. Yes. And any actuarial work on this.
25 They would have applied.

Page 152

1 could be change of control. It could involve
2 reinsurance. We've done that for probably a dozen
3 states. Maybe 30-ish transactions over the last ten
4 years.
5 Q. Affiliate transactions too?
6 A. Affiliate transactions as well, yes.
7 Q. Mergers?
8 A. Mergers, acquisitions, demutualizations,
9 yes.
10 Q. Got it. In addition to representing
11 insurance regulators, does RRC ever weigh in on
12 involving regulatory standards or guidance?
13 A. We do. So because RRC is kind of
14 independent of industry and has a focus on kind of
15 regulatory activities and protection of
16 policyholders, as guidance is evolving the National
17 Association of Insurance Commissioners will prepare
18 model laws, for example, or model bulletins. And,
19 if we have experience in that particular subject
20 matter, we will submit comment letters.
21 So an example is we recently submitted
22 one related to RBC. We talked a little bit about
23 the work of the NAIC currently on RBC. And we did
24 actually submit a comment letter related to
25 corporate division.

Page 151

1 Q. Thank you. What does RRC do?
2 A. So RRC primarily provides services to
3 insurance regulators. I would say probably
4 95 percent of our business is serving insurance
5 regulators.
6 The nature of it can be viewed almost as
7 an extension of the insurance department. So we
8 don't provide any legal services, but we have
9 financial accounting folks, we have folks that focus
10 on market conduct activities. So consumer, you
11 know, complaints, marketing materials. We have
12 actuaries obviously. We also have folks that focus
13 in the investment area. Folks that focus in IT.
14 So we will help examine insurance
15 companies on behalf of regulators, we will help with
16 transactions like this, we will help review various
17 types of filings.
18 Q. Has RRC evaluated other corporate
19 divisions on behalf of insurance regulators?
20 A. Yes. RRC did review one division for
21 Illinois.
22 Q. Has RRC evaluated other material
23 transactions on behalf of insurance regulators?
24 A. Yes. We have reviewed a number of
25 different types of corporate transactions. So those

Page 153

1 Q. Thank you. Could you explain your
2 retention in this matter?
3 A. Yes. I was retained by the Iowa
4 Insurance Division to review the actuarial and
5 financial aspects of the transaction and evaluate
6 whether it complies with certain aspects of the
7 division law.
8 Q. And did you serve as the independent
9 expert for the Commissioner?
10 A. Yes.
11 Q. How would you describe your role at a
12 high level?
13 A. So, in terms of the division, in
14 reviewing it, our role really was to review and
15 challenge. So I led a team of people in doing that.
16 So we had five other life actuaries. I
17 think the combined experience of that group is about
18 170 years. And then we also had some accounting
19 experts. And we included on the team one person
20 that worked on the prior division to have expertise
21 in the division statute and requirements.
22 And, again, our role was to evaluate all
23 the aspects that are actuarial and financial in
24 nature of the division law to make sure that the
25 cedents are adequately protected, review and

1 challenge the information that we received, ask
2 questions, and make sure that we had comfort that
3 those cedents would be protected.

4 MR. KOSNOFF: Commissioner, the remainder
5 of her testimony gets into confidential matters. So
6 we should probably clear the room of our virtual
7 audience.

8 COMMISSIONER OMMEN: Is there any
9 objection to moving into confidential testimony from
10 Transamerica or SCOR?

11 MR. KORN: No, sir.

12 MR. SCHWAB: No, sir.

13 COMMISSIONER OMMEN: Any objection from
14 American General?

15 MR. CHAKRABORTY: No, sir.

16 COMMISSIONER OMMEN: With that, we'll
17 move into a confidential setting.

18 So if you'll close the virtual meeting
19 room.

20

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Category	Value (approximate percentage)
1	85
2	95
3	15
4	25
5	35
6	45
7	95
8	90
9	95
10	25
11	90
12	90
13	98
14	45
15	90
16	25
17	95
18	98
19	80
20	90
21	95
22	95
23	98
24	95
25	10
26	95
27	85

Category	Value (Estimated %)
1	90
2	20
3	95
4	100
5	60
6	35
7	85
8	95
9	75
10	100
11	65
12	100
13	88
14	88
15	15
16	88
17	100
18	95
19	100
20	95
21	100
22	90
23	100
24	45
25	85

Response	Percentage
Yes, the U.S. should take action to address climate change	95%
No, the U.S. should not take action to address climate change	5%

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12 COMMISSIONER OMMEN: [REDACTED]

14 Ms. Matson, you may step down.
 15 All right. As I mentioned while we were
 16 in our confidential format, we are going to take a
 17 lunch break. Ms. Matson has not completed her
 18 testimony. Although she has completed direct.
 19 We're going to reconvene after a lunch
 20 recess at -- let's just say 1:20. That gives us a
 21 full hour for lunch.

22 But, with that, is there any other
 23 announcements from any of the parties or is that
 24 sufficient?

25 MR. KORN: That's good by us.

Page 218 1 COMMISSIONER OMMEN: With that, we'll 2 stand in recess until 120, and we'll be back at that 3 time. 4 (Recess taken at 12:20 p.m.) 5 (Deposition resumed at 1:20 p.m.) 6 COMMISSIONER OMMEN: We are back on the 7 record. 8 So, before we recessed, we opened up the 9 virtual access to the public, but we're in the 10 middle of what I think is cross-examination of this 11 witness, and much of that is confidential. So I 12 think what we're anticipating is we'll have to go 13 back into confidential setting. 14 Is that accurate for SCOR? 15 MR. SCHWAB: Sir, thank you very much for 16 the opportunity. Upon reflection, we don't need to 17 take any more of the witness's time. We can go 18 right into the public comments. 19 COMMISSIONER OMMEN: Okay. So, with 20 that, you may step down. Thank you. 21 MR. SCHWAB: Thank you. 22 COMMISSIONER OMMEN: So no further 23 witnesses for -- I think I've been through this, but 24 no further witnesses for Transamerica or SCOR. 25 Just to verify, no further witnesses for	Page 219 1 the Insurance Division or for AGL. 2 Is that right? 3 MR. CHAKRABORTY: Correct. 4 MR. KOSNOFF: Correct. 5 COMMISSIONER OMMEN: So, with that, we're 6 ready to go into public comments. I think there 7 were some received in writing, and those are made 8 part of the record, but, again, we have time 9 available if there are other public comments. 10 So, at this point in time, I will open it 11 up. Is there anyone in the room that's a member of 12 the general public who wishes to make a comment? 13 (No response.) 14 COMMISSIONER OMMEN: All right. Seeing 15 none, are there any individuals online, members of 16 the public, who wish to offer a public comment? 17 (No response.) 18 COMMISSIONER OMMEN: I see there are 19 none. So, with that, we will conclude our scheduled 20 time for public comment. 21 At this time, I think we're ready to 22 proceed with closing comments. I would note, for 23 the record, that it's my understanding, pursuant to 24 the scheduling order that I issued on August the 5th 25 of 2026, there was agreement that there would be no
Page 220 1 motions at the close of evidence. 2 Is that accurate? Is that accurate from 3 Transamerica's perspective? 4 MR. KORN: Yes, I don't think we have any 5 motions planned. 6 COMMISSIONER OMMEN: Does SCOR have any 7 motions? Again, it's my understanding there were to 8 be none based upon that motion intervention. 9 MR. SCHWAB: Correct, sir. As I said in 10 my opening statement, the only thing that we're 11 going to ask is the Court grant the exemption from 12 the Form A, but that's not a new motion. That's 13 just a pending matter. 14 COMMISSIONER OMMEN: Anything further 15 from the Division in terms of motion? 16 MS. SOLE: No. 17 COMMISSIONER OMMEN: Anything from AGL in 18 terms of motion? 19 MR. CHAKRABORTY: No. 20 COMMISSIONER OMMEN: With that, I think 21 we are ready to move to closing arguments. My 22 thought in terms of process -- we began with an 23 opening from the Insurance Division, but have the 24 attorneys expressed any interest as to how they 25 would like to proceed with closing?	Page 221 1 MR. KORN: We conferred in advance. And 2 also, I think it's prudent for the Division to go 3 first. 4 MR. SCHWAB: The only question we've got 5 is how much time remains for each of the parties for 6 the closing. So that we know what's remaining. 7 COMMISSIONER OMMEN: So I assume you've 8 been keeping track of your own times. So we'll 9 begin with Mr. Kosnoff. 10 How much time do you estimate you have 11 remaining for your closing? 12 MR. KOSNOFF: No more than three 13 electrifying minutes, Your Honor. 14 COMMISSIONER OMMEN: With Transamerica, 15 how much time do you have remaining? You don't need 16 to use all of your remaining time, but how much 17 time? 18 MR. KORN: By our count, we have 19 90 minutes remaining plus half of the overflow time 20 from the Division. And I guess also from the public 21 comments. I don't expect that the closing arguments 22 for Transamerica will occupy that full amount of 23 time. Mercifully. 24 COMMISSIONER OMMEN: For SCOR? 25 MR. SCHWAB: Sir, we share the time with

Page 222 1 TLIC. 2 COMMISSIONER OMMEN: Will you be using 3 some of that time or will -- 4 MR. KORN: Yes, we're going to be sharing 5 our time. 6 COMMISSION OMMEN: And for AGL? 7 MR. CHAKRABORTY: So I think our 8 calculation is we have about 51 minutes left. I do 9 not expect to use all of it, though I probably would 10 use about 40 minutes of it. 11 MR. KORN: And, to be clear, I plan -- 12 and I think SCOR also shares this plan -- to reserve 13 some time for rebuttal after Mr. Chakraborty 14 concludes. 15 COMMISSIONER OMMEN: I understand. With 16 that, we're ready to proceed. And we will begin 17 with you, Mr. Kosnoff. 18 MR. KOSNOFF: Commissioner, we believe 19 you made a good choice in selecting RRC as the 20 independent expert. 21 RRC's sole focus is on advising insurance 22 regulators, including in connection with corporate 23 divisions and other material transactions, and they 24 have done so in at least 30 states. 25 The review here was led by Tricia Matson,	Page 223 1 someone who has clearly earned the trust and respect 2 of her peers as demonstrated by her leadership in 3 the Academy and the Actuarial Standards Board. 4 In conducting their review, RRC was 5 diligent, thorough, and they put the parties through 6 their paces. They exercised independent judgment, 7 raised concerns where they had them, asked follow-up 8 questions until they were satisfied. They did their 9 job. 10 As Ms. Matson testified, RRC's conclusion 11 rests on multiple independent pillars, not on any 12 single assumption or projection, and the Division is 13 pleased with the work performed by RRC and believes 14 that the Commissioner and the Deputy Attorney 15 General would be justified in relying on RRC's 16 report in determining whether the transaction 17 satisfies Iowa law. 18 In addition, the testimony today 19 demonstrates that the Division itself was diligent, 20 thorough, and engaged in making sure that the 21 Commission had a full and complete record for its 22 consideration. 23 The Division appreciates the 24 participation of all parties in these proceedings 25 and believes they have contributed to a very
Page 224 1 thorough examination of the issues. 2 Thank you. 3 COMMISSIONER OMMEN: Mr. Kosnoff, I'm not 4 going to let you off quite that easy. 5 In your opening, you suggested that you 6 were not in a position to take a position. But, 7 after hearing arguments and evidence from AGL, as 8 well as from Transamerica, I understand AGL has 9 taken the position that they are not a policyholder 10 for purposes of the statute. 11 It's my understanding that Transamerica, 12 although they -- in caution, they did treat AGL and 13 others as policyholders, my understanding is it's 14 their testimony that they are a creditor -- that is, 15 AGL and cedents are creditors, not policyholders. 16 Do you disagree with that? 17 MR. KOSNOFF: Well, as you know from our 18 prior statements, the Division has tried to remain 19 above the fray on that legal issue, but I take it 20 you want an opinion from us. 21 Here's what I would say: The Division 22 believes that the Iowa division law is broad enough 23 to encompass divisions of the sort contemplated 24 here. Allocations of assumed reinsurance business. 25 On the specific question of whether	Page 225 1 cedents ought to be treated as creditors or as 2 policyholders, I'm not sure the Division has a view. 3 For purposes this of transaction, the 4 parties agreed ahead of time that cedents would be 5 treated as policyholders. Which affords them 6 actually greater protection than they might receive 7 as creditors. 8 But, either way, we think the Commission 9 has to sort of work its way through the standards 10 and figure out what makes sense. 11 COMMISSIONER OMMEN: Well, again, I'm not 12 going to let you off the hook that easy. 13 When I look at the statute, because of 14 what you just said, that if policyholders, and, 15 actually, I would agree, have greater protection, 16 we're going to have to reach that as a decision. 17 And so we have to address that. 18 So I'm going to ask you again in light of 19 your analysis of this statute, and in light of all 20 of the evidence that's been received, do you have a 21 position with regards to whether or not AGL is a 22 policyholder or not. 23 MR. KOSNOFF: I'm not trying to be 24 evasive, but I do think we need to look specifically 25 at how the term "policyholders" comes up in

Page 226 1 connection with the division law. 2 It most prominently comes up in the 3 standards for review portion of the statute and what 4 the Commission is supposed to consider in deciding 5 whether the proposed plan meets the standard or not. 6 It doesn't come up, in our view, in the 7 context of what sort of allocation of assets and 8 liabilities is permitted. 9 So I just wanted to sort of set that out 10 ahead of time. 11 COMMISSIONER OMMEN: Well, it's my 12 understanding, from your witness, that the 13 conclusion was that the cedents were adequately 14 protected. 15 MR. KOSNOFF: Yes. Correct. 16 COMMISSIONER OMMEN: Certainly, with 17 regards to that, creditors -- by statute, it is my 18 responsibility to determine that creditors are 19 adequately protected. But there are other safety, 20 security, findings required for policyholders. And 21 that's why I think this matter is important. But I 22 appreciate your decision to not provide guidance. 23 MR. KOSNOFF: Well, I don't think the 24 Division has a view on that specific question. My 25 own view is that the better characterization is that	Page 227 1 the cedents are creditors, not policyholders. But, 2 in treating cedents as policyholders for purposes of 3 the Plan of Division, the parties were actually 4 affording them perhaps greater protections than they 5 might have received if they were simply treated as 6 creditors. 7 COMMISSIONER OMMEN: Thank you 8 Mr. Kosnoff. 9 Hold on. You're still not off the hook. 10 MR. BULL: To that end, can you direct me 11 to what evidence you believe came forward in this 12 hearing today to establish whether or not the 13 cedents are policyholders? Or is the only evidence 14 on the record the statement that they are creditors? 15 MR. KOSNOFF: You know, I don't think 16 there's any evidence that would somehow, like 17 alchemy, convert a ceding company to being a 18 policyholder. 19 I think it's commonly understood, by 20 lawyers and regulatory personnel alike, that there's 21 a difference between being a ceding company under a 22 reinsurance agreement and being a policyholder under 23 a directly issued insurance policy. 24 So nothing that was said today would 25 change my thinking on that topic.
Page 228 1 I think that the real question is even 2 though we agree that they're different, are we going 3 to treat ceding companies, or cedents, as 4 policyholders for purposes of the Iowa law to afford 5 them sort of the full scope of protections that 6 policyholders would get. 7 MR. BULL: Thank you, sir. 8 MR. KOSNOFF: It's a policy question, I 9 think, more than anything else. 10 COMMISSIONER OMMEN: Thank you. 11 MR. KORN: My turn? 12 COMMISSIONER OMMEN: Yes. You may 13 proceed. 14 MR. KORN: We have some slides also. 15 MS. SIMPSON: I'm trying to admit you 16 into the meeting to show the slides, but it keeps 17 failing. 18 MS. HIGGENBOTHAM: Okay. I'm going to 19 exit my VPN and see if that works. 20 MR. KORN: We'll take a minute or two to 21 get set up so that everybody can see the 22 presentation. 23 COMMISSIONER OMMEN: By my count, you 24 have 20 minutes to spend. 25 MR. KORN: I'll speak very fast.	Page 229 1 COMMISSIONER OMMEN: No, 20 minutes on 2 getting it to work. 3 MS. HIGGENBOTHAM: I hope it does not 4 take that long. 5 MR. KORN: I think we'll be faster than 6 that. And if we -- 7 MR. SCHWAB: Commissioner, at the risk of 8 indulging in a moment of levity, a bunch of the 9 lawyers here are looking forward to going to the 10 state fair. Do you have a favorite booth? 11 COMMISSIONER OMMEN: Well, there's the 12 traditional pork loin on a stick, which is really 13 good, but I understand there's some really good 14 dessert foods as well. There's an apple pie that I 15 think is really strongly suggested. With ice cream. 16 I can't remember the vendor, but they're in the top 17 three. 18 MR. BULL: Minneapple. 19 COMMISSIONER OMMEN: Minneapple. Thank 20 you. It's the Minneapple. 21 I would encourage you to have some pork 22 or beef and then enjoy dessert as well. 23 MS. RICHARDSON: It's good to have that 24 in the record. 25 COMMISSIONER OMMEN: I think today is the

Page 230 1 last day for kids ride for a \$40 fee. So, if you 2 have children, you can pay \$40 and they can spend 3 the rest of the day and night riding rides without 4 additional cost. For those in the department that 5 did that, I hear that they've really gotten their 6 money's worth. 7 Bonnie did. I see your hand go up as 8 well. 9 But, anyway, it's a good time out there. 10 Do we have an update on the technology? 11 MS. SIMPSON: You should be in there now. 12 You're admitted now. 13 MR. KORN: That's a good start. 14 MS. HIGGENBOTHAM: It is a start. 15 MR. KORN: It is a start. 16 There we go. Now just switch to slide 17 show and we'll get off to the races. 18 All right. I think we're ready to go. 19 COMMISSIONER OMMEN: You may proceed. 20 MR. KORN: Thank you, Commissioner, thank 21 you, Deputy Attorney General Bull, again, for the 22 time today and to present our case. 23 Just a little bit of roadmapping before I 24 start. We've divided this presentation into two 25 sections. The first deals with the statutory	Page 231 1 interpretation question. And the second deals with 2 the division law requirements and the merger law 3 requirements. Much akin to how AGL divided their 4 two briefs. 5 I'm going to address the first part, and 6 Mr. Schwab is going to address the second. I can't 7 promise that we're going to be completely pure in 8 that division, but that's going to be for the main 9 of it. 10 So that's how we planned this out. And 11 then we'll save some time for rebuttal. 12 Before I jump into the presentation 13 itself, I'd like to just address something that has 14 been a theme that we've heard throughout the day 15 from AGL. And it was featured in the opening 16 statements, and I kind of bit my tongue and have 17 been watching as the witnesses came out and 18 testified. 19 There's this impression that the 20 applicant and the Division either don't care about 21 the cedents or that we completely disregarded their 22 interests in the process. 23 That's just fundamentally false. We've 24 actually heard from witness after witness today that 25 a central part of the conversation was whether the
Page 232 1 interests of cedents would be adequately protected. 2 You heard that from Ms. Gerst, you heard that from 3 Mr. Hayward and Mr. Robbins, you heard that from 4 Milliman, and you heard that quite a bit from 5 Ms. Matson. 6 We did take the cedents' interests into 7 account. We even -- to your question to Faegre, we 8 even elevated them in the plan to essentially hold 9 ourselves to the same standard as if they were 10 retail policyholders. 11 And we did that for a reason. We were 12 looking out for their interests to make sure that 13 there would be no question that each of the 14 requirements of the division law and the merger law 15 would be satisfied no matter what box you put them 16 into or how you categorize them. Whether they are 17 policyholders or creditors or generally deserving of 18 protection and that the public interest is served. 19 But that is very different, a very 20 different question, from whether the cedents 21 themselves have a veto right under the division law 22 or merger law or have the right to have a role in 23 the process before we file a Plan of Division. That 24 is not a right that is granted to them by the 25 statute. And it's not a right that's granted to	Page 233 1 them by the rogue contracts. 2 And I would submit that the reason that 3 cedents were not identified in the legislature as an 4 express class to protect is because they can protect 5 themselves. 6 We've heard over and over again from AGL, 7 from John Hancock before them, that they are 8 incredibly sophisticated, their contracts are 9 bespoke. When they have a right they want to 10 secure, they put it in their contract. 11 And the division law itself specifies 12 that if there's a consent to merger requirement, 13 that that applies for post-2019 treaties or 14 contracts, and that if there is a breach of any 15 contract that is the subject of allocation, then the 16 breach of contract rights are preserved. 17 And AGL is a pretty good example of a 18 cedent that did not secure those kinds of rights. 19 We've reviewed all of their treaties, and they do 20 not have any anti-assignment provisions or consent 21 to merger rights in them. 22 If they had those rights, we would have 23 had to address them. Or we would have dealt with 24 them in the course of this case. 25 The fact remains is that the division law

Page 234 1 is an allocation. It's a reverse merger. It's the 2 opposite of the merger statute. 3 So you have to take the assets and 4 liabilities of the dividing company and allocate 5 them either to the dividing insurer or to the 6 resulting insurer. And that's an allocation by 7 operation of law. It is not a transfer, it's not a 8 novation, it doesn't trip up any of the consent or 9 anti-assignment obligations to the extent that 10 they're in any of these contracts, which aren't even 11 in evidence today. 12 But nothing in the statute gives cedents 13 a veto right. And it's not a reasonable objection 14 if they don't agree with the statute and they don't 15 agree with the Division. 16 I just wanted to set that out clearly and 17 up front. Because what you're really hearing from 18 AGL is an attack against the statute that the 19 legislature passed. 20 And what we heard from Ms. Matson is the 21 same arguments about concentration risk can apply 22 equally to policyholders too. And the NAIC White 23 Paper and the reason we have the division law in the 24 first place is to avoid that kind of discussion and 25 that we can get to a division that can then be	Page 235 1 coupled with a simultaneous merger to reflect so 2 that the legal reality matches the economic reality 3 that we have been abiding by for over 15 years. 4 So that's the intro. 5 So now I'd like to turn to the 6 presentation. And I want to walk through the 7 statute very carefully to talk about why and how it 8 does authorize a proposed division. And any 9 arguments to the contrary are really based upon an 10 effort to insert a limitation into the statute that 11 doesn't exist and is contrary to basic rules of 12 statutory interpretation. 13 So I'm on page 2 of the presentation. So 14 that we're following along. 15 And, as in all cases of statutory 16 interpretation, you start with the words in the 17 statute. And here the first provision to draw your 18 attention to is Section 521I.1(6). This is the 19 definition of domestic stock insurer. 20 The domestic stock insurers are the 21 entities, the parties, that are able to divide 22 pursuant to the division law. And it's any stock 23 insurer domiciled and organized under the laws of 24 the state pursuant to Chapters 508, 514B, or 515. 25 There's no dispute that Transamerica is a
Page 236 1 domestic stock insurer for this purpose. 2 Then there's what a division is. It's a 3 transaction in which a domestic stock insurer splits 4 into two or more resulting domestic stock insurers. 5 Then you get to the Plan of Division. 6 That's 521I.2(5). And in the Plan of Division -- 7 and we're going to spend a little bit more time on 8 this. This is one of the slides that was in 9 Mr. Chakraborty's initial presentation. It tells us 10 what a Plan of Division must include. 11 And it's very clear that the Plan of 12 Division must describe all liabilities and all 13 assets that the dividing insurer proposes to 14 allocate and then says including the manner by which 15 the dividing insurer proposes to allocate all 16 reinsurance contracts. 17 It doesn't say some reinsurance 18 contracts. It doesn't say only ceded reinsurance 19 contracts. It says all reinsurance contracts. 20 And Mr. Chakraborty mentioned, and I 21 wrote this down, that -- he said this is the only 22 place that reinsurance is mentioned in the division 23 law. 24 I'm going to circle back to that comment 25 later. Because it is not accurate. There is	Page 237 1 another place. It's in the consent to merger 2 provisions under liabilities in the division law. 3 And that's actually pretty telling. Because, under 4 the interpretation espoused by AGL, you have to read 5 that provision out entirely. 6 But let's talk about the assets and 7 liabilities. It's all assets and all liabilities 8 that need to be allocated. And assets is defined 9 very broadly. As is liability. 10 I don't think there's really any 11 legitimate dispute that assumed reinsurance 12 obligations are a liability. What we're really 13 dividing are the contracts. Which can be both 14 assets and liabilities. 15 So they have to be divided to either the 16 resulting insurer or to the dividing insurer. They 17 have to be allocated under the Plan of Division. 18 Once you confirm or agree that 19 reinsurance contracts and assumed reinsurance 20 obligations, if you want to focus on just the 21 obligation side of the contract, need to be divided, 22 then there's nothing in this statute that prohibits 23 the allocation through a division of reinsurance 24 obligations, including assumed reinsurance 25 obligations.

Page 238 1 Flipping to the next slide. This is 2 really, I think, what's going on here. And you see 3 this theme repeated throughout AGL's prehearing 4 briefs, you see it in their petition, you saw it 5 with John Hancock, and you see it quite often in a 6 lot of the comments. 7 Their position is that the division law 8 is not permitted to extinguish contractual rights 9 nor affect a consent-free statutory novation. And I 10 put those words in there deliberately because -- 11 they're concerned about the transfer. The switch of 12 counterparty. 13 That's not what the division law does. 14 It's what the merger law does, but not what the 15 division law does. The division law doesn't change 16 the counterparty from TLIC to SCOR. It divides TLIC 17 into TLIC and TLIC-A. It's only the operation of 18 the merger statute that affects the merger also by 19 operation of law. 20 And the division statute itself 21 forecloses the argument that they're making that 22 it's a statutory novation. The division law itself, 23 in two different places, says that there's no 24 transfer involved. This is an allocation. 25 A transfer is defined quite broadly to	Page 239 1 include assignment, assumption, conveyance, sale, 2 lease, encumbrance, security interest, gift, or 3 transfer by operation of law. And that wording is 4 deliberate. It's designed to avoid the argument 5 that there is a novation occurring that requires 6 consent. 7 And there's a separate provision, which 8 we'll talk about, when you have a consent to merger 9 obligation in a contract. But, when you're talking 10 about this as if it were a novation, that's just not 11 correct. 12 What they're really attacking is the 13 merger. That's the part of this transaction that's 14 going to lead to SGLUSA stepping into the shoes of 15 TLIC-A post division. And it's authorized by the 16 merger law itself where you have a provision that 17 was added by the legislature when the division law 18 was passed to authorize simultaneous mergers. 19 And there's no argument that the merger 20 law does not permit this type of merger. Or that it 21 doesn't apply to reinsurers. Which is why I think 22 they're focusing on the division law and honing in 23 on the word "policyholders." Which I think is the 24 wrong place. 25 And that I address in the next slide.
Page 240 1 I'm on page 4. Because I don't think it's fair or 2 correct to say that the legislature's choice to 3 protect policyholders and to give them heightened 4 protections, as opposed to creditors or 5 shareholders, does not preclude -- that it precludes 6 the allocation of assumed reinsurance liabilities. 7 We should assume that the legislature 8 made a deliberate choice that policyholders are in a 9 different spot from creditors. Or, arguably, 10 cedents. Policyholders, in this sense, are often 11 retail, although the argument probably extends to 12 other types of policyholders who could protect 13 themselves. Because there are direct insureds that 14 are large companies that have risk management 15 programs also and know how to protect themselves. 16 But policyholder appears in the approval 17 standards. It identifies the interest that the 18 Commissioner must protect. It does not appear in 19 the provisions in the division law regarding what 20 may be allocated. That's all assets and 21 liabilities. And you see that in the Division's 22 comments in their prehearing brief, and it's what 23 this statute says. 24 And the approval criteria, to the 25 Commissioner's point, protects policyholders,	Page 241 1 creditors, and shareholders, and it offers some 2 additional protections for policyholders, too, but 3 it does not turn solely on whether you have a 4 policyholder involved in the division or not. It 5 includes other categories like creditors. 6 So you shouldn't categorically exclude a 7 division that involves assumed reinsurance just 8 because cedents are involved and that the word 9 "cedents" -- it doesn't appear here. That's not the 10 way that statute should be construed. You don't 11 impose a limitation, or read in a limitation, 12 because there are words that are missing from the 13 statute. 14 And as we write here -- I mean, the 15 argument doesn't make a whole lot of sense. That 16 the absence of cedents in who are the protected 17 classes means that this doesn't apply to assumed 18 reinsurance obligations. 19 Because the point we've heard all along 20 is that cedents know how to protect themselves by 21 contract. And they can do that. 22 Which could be one explanation, if we are 23 guessing about the legislative intent, that explains 24 why cedents are not called out specifically. 25 Because they have contract rights. They know how to

Page 242

1 write an anti-assignment provision that could say,
2 "I need to have a consent right over a division."
3 That's something that cedents can certainly do in a
4 post-division statutory world.
5 And that's not a provision that you see
6 in any of the policies or treaties that are at issue
7 here. And it's not in AGL's treaties, which don't
8 even have anti-assignment provisions, because they
9 didn't bargain for those rights. They're asking you
10 to grant them those rights, to grant them the veto
11 that they didn't bargain for that's not in the
12 statute.
13 And the fact that we have afforded
14 cedents the heightened protection just so that we
15 could check every box does not mean that we are
16 conceding, acknowledging, that the statute has to be
17 changed in order for it to apply to the division
18 that we're asking here.
19 Because, again, the division is -- you
20 know, how are you dividing assets and liabilities.
21 And there's no question that the reinsurance
22 treaties are assets and liabilities that need to be
23 divided.
24 The fact that we have said, in fairness
25 to cedents, that we want to protect their interests

Page 244

1 it. And the first one is a reproduction of 521I.2
2 of the general requirements of a Plan of Division.
3 And it has the title at the top of the page "The
4 Iowa division law does not permit this."
5 I don't know what the "this" is. Or what
6 in the text of this provision says that something is
7 not permitted.
8 This provision, which is drawn from the
9 division law, simply identifies the things that need
10 to be listed in a Plan of Division. And it includes
11 an allocation of all assets and all liabilities.
12 It also says that it has to include the
13 allocation of all reinsurance contracts. So, if one
14 were reading this, the natural reading, and the
15 literal reading, is that it includes all reinsurance
16 contracts too.
17 But there's nothing in this that is a
18 limitation. There's nothing in here that narrows
19 the scope of the division law. There's nothing in
20 here that says "except for the allocation of assumed
21 reinsurance liabilities." That's what they're
22 asking you to find in this text. And it's just not
23 there.
24 So if we could just go back to my
25 presentation. I'm now going to turn to page 5.

Page 243

1 as if they were policyholders to make sure that they
2 are adequately protected, both for purposes of the
3 division statute as well as the merger law, doesn't
4 mean that you have to, or could, read out
5 reinsurance from the scope of the division statute.
6 And, if you think about it, that argument
7 goes a little too far. Because the merger law also
8 has protective provisions in it. It protects
9 members, policyholders, and shareholders. It
10 doesn't mention cedents either.
11 And I don't think that there's any
12 argument, or we certainly haven't heard one, that
13 the merger law somehow precludes reinsurance. I
14 mean, the title of the merger law itself is
15 "Consolidation, Merger, and Reinsurance." So that
16 would be quite odd.
17 And I just want to flip to something that
18 AGL presented this morning. I don't know if you
19 still have the presentation that was at the outset
20 in the openings. I think it's right at the top of
21 your table.
22 Because I want to just look at Principle
23 No. 1 and how they argue this. It's a few slides
24 in.
25 And Principle No. 1 has two pages behind

Page 245

1 Because I took some time to think through what the
2 division law would have to say if it were going to
3 have the meaning that is ascribed to it by AGL.
4 And I focused on one thing that they said
5 at the beginning of their second brief where they
6 kind of state their position. They say "AGL sets
7 forth the reasons why the division law can only be
8 read to apply to the division of policyholder
9 liabilities." And they say that is the language
10 that is used throughout the statute. That's a
11 direct quote from their brief.
12 That's not what the statute says. And
13 you'd have to really twist a lot of the provisions
14 to have the division law limited to the division of
15 policyholder liabilities.
16 And we've listed the several places where
17 you'd have to make changes. You'd have to rewrite
18 the statute to impose that kind of narrowing or
19 limitation.
20 Starting with the definition of
21 liability. Which means "a secured or contingent
22 debt or obligation arising in any manner." You'd
23 have to tack on words like "arising only from direct
24 insurance policies issued to policyholders" if you
25 wanted to limit it to the division of policyholder

Page 246

1 liabilities.

2 Turning to what the plan of allocation

3 must say under subpart 2-3. "The plan must include

4 the manner of allocating assets and liabilities,

5 including policy liabilities." It doesn't say "only

6 policy liabilities." It says "including policy

7 liabilities." They are a subset of the liabilities

8 that can be allocated. Which, again, in other parts

9 of the statute it says all liabilities can be

10 allocated.

11 And that's a phrase. I counted it. It

12 appears ten different times in the division law.

13 "Liabilities, including policy liabilities." It's

14 not a limitation to "only" policy liabilities. It

15 would have to be written completely different in

16 order to get to that meaning.

17 Also, I mentioned this before, the Plan

18 of Division must include an allocation of all

19 reinsurance contracts. It could have been written

20 to say something else. It could have said only

21 ceded reinsurance contracts. Since, as AGL has

22 pointed out elsewhere, the legislature knows how to

23 articulate when it wants to have an exclusion for

24 reinsurance. Which it did in the unauthorized

25 insurance statute.

Page 248

1 and does not affect the validity of the division

2 itself.

3 That's not really relevant here, because

4 all of the treaties predate 2019 in any event, but

5 it shows you that the legislature was thoughtful

6 about including reinsurance liabilities as part of

7 the statute in how to deal with a potential breach

8 to a cedent.

9 Because this applies both ways. And

10 you'd have to delete this provision, or this aspect

11 of the provision, if you were to want to limit the

12 statute's application solely to ceded reinsurance.

13 And then, finally, if you kind of step

14 back, the division itself would have to change.

15 Because the division allows any domestic stock

16 insurer to divide all of its assets and liabilities.

17 So, if the AGL interpretation were

18 accepted, then you would not be able to have a

19 domestic stock insurer that had ever issued

20 reinsurance obligations be able to divide. And

21 that's not in the statute. Because the allocation

22 has to happen of all the assets and liabilities.

23 If you were a domestic stock insurer that

24 wanted to allocate assumed reinsurance liabilities

25 to a resulting insurer, you wouldn't be able to do

Page 247

1 Turning to the next page. I had

2 mentioned this before. If you look at the

3 subsection 12-3 of the division law, there is a

4 specific provision that deals with the consent to

5 merger requirements that often appear in policies

6 and treaties.

7 And this is in the section, just to kind

8 of focus us, because it's important, that deals with

9 the resulting insurer's liability for allocated

10 assets, debts, and liabilities. So it's the

11 liabilities that the resulting insurer may have from

12 the contracts to its counterparties.

13 And there's a specific carve-out for

14 reinsurance agreements, which is called out

15 specifically -- this is the other place in the

16 statute where reinsurance agreements are

17 mentioned -- so that if there is a consent to merger

18 provision in a reinsurance agreement that is prior

19 to 2019, it's deemed inapplicable by the statute.

20 Only post July 1, 2019, consent to merger agreements

21 and reinsurance agreements are effective.

22 And, even then, since the division is

23 treated like a merger for these purposes, they're

24 often not triggered. And, to the extent there is a

25 breach, that breach of contract claim is preserved

Page 249

1 that if this were written the way they want it. And

2 that's not in the statute. There's no exception in

3 the statute. Which is the point. It would have to

4 be rewritten to impose that narrowing statute that

5 says any domestic stock insurer except for those who

6 wish to allocate assumed reinsurance obligations can

7 divide.

8 That kind of carve-out is not in here,

9 and I would suggest it would be not appropriate to

10 read it in. Which is the last page of my

11 presentation. Slide 7.

12 This is in the papers and it's been

13 discussed and briefed at length for you both, but

14 the law is very clear -- and this is not just Iowa

15 law, it's pretty consistent throughout the

16 country -- that, under the guise of judicial

17 construction, you don't add words of qualification

18 or narrow a statute or change its terms. You apply

19 the statute as it's written.

20 So I would submit, respectfully, that the

21 division law that was proposed is authorized by the

22 statute, it's authorized by the merger law, and the

23 question then is have we satisfied the specific

24 criteria that you must find for purposes of the

25 division law and the merger law.

Page 250

1 **And I'm going to turn the mic over to my**
2 **colleague Mr. Schwab to address those issues.**
3 COMMISSIONER OMMEN: Thank you.
4 MR. KORN: Thank you.
5 COMMISSIONER OMMEN: Mr. Schwab.
6 MR. SCHWAB: Thank you. And good
7 afternoon.
8 Thank you to the parties, thank you to
9 the Division, thank you to counsel for all of the
10 courtesies that have been extended to us in the time
11 that we've been working before you in preparing for
12 today.
13 There are a number of points that we'd
14 like to discuss in respect of satisfaction of the
15 statutory criteria under both the division law and
16 the merger law.
17 But let's start, please, from the premise
18 that was articulated both by Ms. Gerst and by
19 Ms. Matson. And that is the contracts that are
20 being argued about today may be reinsurance
21 contracts, but the protection that we're talking
22 about, the protection that RRC was most concerned
23 about, was that being provided to policyholders.
24 Not all of us are as steeped in the
25 business of reinsurance as others. But this much we

Page 252

1 their interests were being impacted, whether a
2 cedent or a policyholder, to come in and speak.
3 And, thus far, we've only heard from two objecting
4 parties. One has been removed by way of the
5 Amendment No. 1. The other one is here today.
6 But throughout thousands of reinsurance
7 agreements and hundreds of cedents, only one is
8 standing in front of you here today to talk about
9 the criteria.
10 And we would have thought that with
11 98 pages, 98 pages, of prehearing memoranda on the
12 legal issues and the satisfaction of the statutory
13 criteria you would have seen one contract, one
14 affidavit, one deposition, one witness, somebody to
15 come in and provide evidentiary support for their
16 position.
17 Instead, we have an argument. And an
18 argument, in the face of all of the evidence you've
19 heard today, is just not enough.
20 There are seven different criteria under
21 521I.8(3), the division law, which the Commissioner
22 is to consider.
23 And that is adequate protection for
24 policyholders, creditors, and shareholder interests
25 under a plan that is not fair or unreasonable to

Page 251

1 know: Reinsurance is designed to protect a ceding
2 insurer to the extent that that insurer has passed
3 on to or ceded to the reinsurer some policy
4 liabilities.
5 We also know that an insurer is intended
6 to protect these policy liabilities whether they've
7 been ceded to a reinsurer or not.
8 And I go back to my very first college
9 logic class. And that is it follows that the
10 reinsurance protection provided by a reinsurer to a
11 cedent is for the ultimate benefit of the
12 policyholders.
13 So, while we agree that when you look at
14 the statute cedents are creditors, and Mr. Kosnoff
15 did such a nice job of saying that the issue
16 presented to you is a policy issue to ensure that
17 the protection is afforded to policyholders, we
18 believe that we've accomplished that today. And
19 that's what we would like to review with you now.
20 And, suffice to say, please, that when
21 the Commissioner required published notice to go out
22 about the hearing, it was not limited to be read
23 only by cedents. It was published notice to the
24 entire public for the purpose of ensuring due
25 process and an opportunity for anyone who felt that

Page 253

1 policyholders or contrary to the public interest.
2 The second criterion is financial
3 stability of insurers and interests of
4 policyholders, that they are not prejudiced or
5 jeopardized.
6 The third is that the resulting insurers
7 will be licensed in Iowa. There's no contest. You
8 don't have to spend any time with that. The
9 license, Ms. Gerst said, has been applied for. SCOR
10 is licensed throughout the United States. TLIC, of
11 course, is already licensed. No license issue.
12 Fourth, that the division does not
13 violate the Uniform Fraudulent Transfer Act. Also
14 known as Section 521I.8(3)(d). No challenge as to
15 that. Nobody says any kind of fraud is happening.
16 Nor is anybody challenging the
17 application of the fifth criterion that this
18 division is not intended to hinder, delay, or
19 defraud any policyholder or creditor.
20 It's interesting we've heard so much
21 argument about solvency and financial stability, but
22 nobody is saying that this is for the purpose of
23 hurting any cedent or policyholder. So that's not
24 an issue.
25 Solvency we've heard a lot about. That's

Page 254 1 factor number six. 2 And then, number seven, assets not being 3 unreasonably small in relation to the insurer 4 business and transactions. 5 So we start with number one. Adequate 6 protection, fairness and reasonableness, public 7 interest. 8 As to adequate protection, for the last 9 15 years TLIC has retroceded 100 percent of the 10 business that would be through this division 11 transaction allocated to a new entity, TLIC-A, and 12 ultimately, by merger, to SGLUSA, without any 13 default. 14 You would have thought that SCOR, one of 15 the top five largest reinsurers in the world, if 16 they were so bad, so weak, so underdeveloped 17 financially, there would have been a default. 18 There hasn't been a default. There 19 hasn't been the need for an infusion. There hasn't 20 been a need for application of the parental 21 guarantee. There has not been, and there will not 22 be, any change. 23 It's the same SCOR group that's going to 24 be doing the business. AGL and the cedents are 25 going to continue to pay the premium through to	Page 255 1 SCOR, and they will continue to receive the 2 financial benefit of the reinsurance from SCOR. 3 And both Milliman and RRC have 4 independently concluded -- no caveats, no, "Well, 5 you know, maybe if you only consider something 6 else," no caveats -- that SCOR will continue to meet 7 all of its obligations as it has done for the last 8 15 years. 9 Ms. Matson put it best. You don't need 10 the CMA, you don't need the parental guarantee, you 11 don't need the JPMorgan credit facility. SCOR is so 12 strong, so capable, and so well managed -- all you 13 have to do is look at the people back here, and 14 you've heard from two of them, to know that's 15 true -- that you don't have to worry about that. 16 There's no concentration of risk issue 17 here. If there were a real concentration of risk 18 issue, would we not have heard some testimony about 19 it? Would we not have seen a document? Would we 20 not have seen and heard about some numbers, some 21 threatened rating action that is going to severely 22 impact AGL or any other cedent as a result of this 23 division transaction? Is there going to be any 24 regulatory impact on AGL? We haven't heard anything 25 about that whatsoever.
Page 256 1 At the end of the day, AGL is losing. No 2 contract protection. 3 And the Attorney General, of course, is 4 concerned to know, in respect of the public 5 interest, that there's not going to be a diminution 6 in competition. And there's been no evidence that 7 there is. 8 There's not going to be a diminution in 9 protection afforded policyholders who are the 10 ultimate beneficiaries of the reinsurance being 11 provided. There's no evidence of that at all. 12 And so you don't need to be concerned 13 that there's not adequate protection and that the 14 public interest has not been taken into 15 consideration. 16 And, finally, both of you, both the 17 merger Commission and the Commissioner, want to know 18 that the insurance and the reinsurance business 19 opportunity and industry are not going to be 20 weakened, they're actually going to be enhanced. 21 What's the purpose of a division? 22 Ms. Gerst told you. It's so that companies, which 23 continue to evolve over time and change their 24 underwriting focus and their investment 25 opportunities, take the opportunity to move certain	Page 257 1 blocks of business over to people who are 2 specialists in running it off so that the company 3 can reallocate its capital and reallocate its 4 resources for the benefit of policyholders and for 5 the benefit of the insured public. 6 So the public interest is being enhanced 7 by this transaction. It's not being jeopardized. 8 Now, it was interesting. Why is SGLUSA 9 going to be the reinsurer? Why isn't it going to be 10 SGLA? 11 I have a question for AGL. Why didn't 12 you ask that of Mr. Robbins? Why didn't you ask 13 that of Mr. Hayward? Why would you ask that of 14 Ms. Matson or Mr. Zacheis? Why wouldn't you ask the 15 SCOR people? They would have told you. And they 16 put it into their affidavits and they put it into 17 their prefiled testimony. There is no question 18 about it. 19 But instead we get innuendo and 20 suggestions that maybe there's something nefarious 21 going on here when the answer has been hiding in 22 plain sight. And there they are. Somebody only 23 needed to ask them. 24 RRC is right. The ultimate protection to 25 be provided when you're considering financial

Page 258 1 stability is the protection not only of the cedents 2 but of the policyholders. And that's the purpose of 3 reinsurance. There's not a cut-through. 4 And so, Mr. Deputy Attorney General, a 5 cut-through is something that would give a 6 policyholder the right to collect directly from a 7 reinsurer. 8 There's not a cut-through here, but that 9 reinsurance stands right on top of the insurer that 10 is paying the policyholders. And having that 11 reinsurance enables that insurer to go out and write 12 more business as well as to ensure and say to its 13 policyholders, "I'm going to be there when your time 14 comes." As some of our insurers say, "You're going 15 to be in good hands. You're going to be covered." 16 AGL hasn't offered any evidence 17 whatsoever to contradict the conclusions of Milliman 18 and RRC that there is no jeopardization, no 19 jeopardy, of TLIC, Transamerica Life, or SGLUSA's 20 financial stability. 21 You don't need, as Ms. Matson said, to be 22 worried about the CMA, you don't have to worry about 23 the parental guarantee, you don't have to worry 24 about the JPMorgan credit facility. They're strong. 25 They're good.	Page 259 1 So we're not going to spend a lot of 2 time, Commissioner, on RBC. We know and appreciate 3 what you're doing at the NAIC. We take it in good 4 counsel that it is, as Ms. Matson said, a tool. As 5 Ms. Gerst indicated, only one measure. It's not the 6 only one. 7 And so all we're going to say is all this 8 time and energy that was spent comparing in writing 9 the RBC of Transamerica and SCOR, you can ignore. 10 Because they're very different. They insure 11 different risks, they have different capital 12 allocation and exposures to capital markets, 13 et cetera. There just isn't an RBC issue here. 14 Neither company is anywhere close, thank 15 God, to regulatory action. And so we don't have to 16 think about it. 17 But the one thing I would like to go back 18 to that Ms. Matson said was, in respect of RBC, 19 SCOR's financial strength is three times that, three 20 times the threshold, above the threshold, for 21 regulatory action. 22 And, again, if AGL had asked Mr. Robbins 23 or Mr. Hayward why did SCOR strengthen reserves in 24 2024, the answer would have been to comply not only 25 with European regulatory standards but because it
Page 260 1 was the right thing to do. They wanted to make 2 themselves strong. 3 It's a very competitive business. This 4 reinsurance business. It may not be on the tip of 5 the public's tongue when they're getting together 6 talking about the state fair or the Iowa football 7 game coming up, but it's a very competitive 8 business. And SCOR is constantly positioning itself 9 not just to get more business but to carry through 10 on its promises and be strong. And so that's why 11 they did the 2024 strengthening. 12 And, if AGL had asked them instead of 13 some witness who doesn't know, or might only have 14 hearsay testimony, they would have gotten the 15 answer. 16 Do we have to be concerned about 17 solvency? Nobody has indicated that whatsoever. 18 Both Milliman and RRC have concluded that 19 Transamerica and the merged TLIC-A, so-called, with 20 SGLUSA will remain solvent following the division 21 and merger. They've covered all of the covered 22 contract liabilities for 15 years. They're going to 23 continue to do that. 24 And TLIC-A itself is covered by a net 25 worth maintenance agreement from Transamerica. And	Page 261 1 it's getting an infusion of an additional \$5 million 2 in capital in addition to all of the assets it has 3 taken with all of the liabilities at the time of the 4 division and the simultaneous merger. 5 I've spent five years representing SCOR 6 in respect of the Scottish Re receivership 7 proceeding. It's offensive that someone would even 8 suggest that a reinsurer like SCOR or the 9 reinsurance division of a company like Transamerica 10 would somehow tumble into that kind of a position. 11 But let's draw a very clear line between 12 the suggestion that this could end up there and the 13 reality of what's happening there. 14 Scottish Re, Commissioner, and you will 15 have heard about it at the NAIC, got into the 16 position that it did because it did not take the 17 kind of management action that responsible 18 reinsurers like SCOR have been taking for years and 19 raised rates on policyholders who should have to pay 20 for the protection that they're getting so that the 21 reinsurers have enough capital and money to pay the 22 losses that come in. 23 Scottish Re didn't do that. And it got 24 itself into trouble. And that's why it's where it 25 is today.

Page 262 1 SCOR on the other hand -- you've heard 2 this reference to something Mr. Deputy AG called 3 best estimate liability. You might think, "What is 4 that? It sounds like a liability." 5 It's actually a measure of savings. When 6 SCOR says, as Mr. Robbins did in his rebuttal 7 affidavit, that taking these management actions; 8 raising rates, some companies recapturing business, 9 has resulted in a best estimate liability of 10 \$4 billion, that means that they brought down the 11 ultimate liability for this book of business that's 12 going to be transferred. 13 So the baseless speculation, the spectre 14 of SCOR, or any company in this room, becoming like 15 Scottish Re is undeserved and it's not worthy of any 16 more of your time. 17 We come, then, to assets being 18 unreasonably small. Again, both Milliman and RRC 19 have testified and given you extensive reports. In 20 fact, their two reports almost number in pages the 21 number of pages filed by AGL prehearing. 22 But, unlike the prehearing briefs of AGL, 23 the reports of RRC and Milliman are chock-full of 24 data analysis and financial review. And they 25 demonstrate that there are not going to be	Page 263 1 unreasonably small assets to support this business. 2 And AGL has provided absolutely, absolutely, no 3 evidence to the contrary. 4 So then we come to the merger. And the 5 statutory criteria there are proper protection this 6 time of members. Policyholders and shareholders. 7 Creditors got left out this time around. And there 8 should be no objectively reasonable objection to the 9 merger plan and that Form A requirements be 10 satisfied. 11 We submit and the reason that 12 Transamerica and SCOR have asked for an exemption, 13 Commissioner, from the Form A filing requirements 14 otherwise made applicable in the merger law is that 15 those seven criteria that we just went through, 16 three of which are not objected to at all, are the 17 same criteria that are more narrowly part of the 18 analysis that is undertaken under a Form A. 19 But there's one significant point here 20 that we need to make. And that is the merger law 21 and the division law require that the presiding 22 officer and the merger Commission, the Commissioner, 23 consider the interests of all. 24 As we've learned recently, the 25 Administrative Procedure Act and the contested
Page 264 1 hearing rules applicable to this proceeding have 2 never provided for class representative 3 participation in the proceedings. 4 That's very important. No one cedent has 5 the right, by law, to come in here and say, "I'm 6 here on behalf of everybody. You need to consider 7 all of the hundreds of cedents that you're not 8 seeing." Who you haven't heard from, who presented 9 absolutely no evidence or objection whatsoever, 10 except for one, that somehow that one represents the 11 interests of all. That's just not true. 12 Why? Because it cannot be the case that 13 under the statute any one objecting party can 14 scuttle a plan, can scuttle a division, can scuttle 15 a merger. 16 And, if all of those division factors 17 that we've talked about are satisfied, then there is 18 no objectively reasonable objection. Objectively 19 reasonable meaning you've got to look at all the 20 facts. Not someone's avowed fear, concern, or 21 misunderstanding of what's going on. You've got to 22 consider facts. And, respectfully, AGL has not 23 presented any today. They haven't identified any 24 actual or any threatened harm. 25 As for the Form A requirements, as I	Page 265 1 mentioned, the reason we requested an exemption and 2 had communication with the Division about this, 3 Commissioner, before the filing was made May 12th 4 was to ensure we weren't missing something that was 5 required. 6 If it had been required, believe me, we 7 would have submitted it. There are enough lawyers 8 in this room who could have gotten that little 9 document done. We just thought, and our 10 understanding is, it would be redundant. And no 11 executive officer has time for redundancy of effort. 12 And you don't need to spend any today. 13 So, saving time for rebuttal, where we 14 end up is here: There has been no change, there 15 will be no change, through the division and merger 16 in what's been done for the last 15 years. The 17 contracts are going to continue to apply. The 18 financial resource and the administrative and 19 operational resource are going to continue to be 20 presented. 21 And we know that the Division will be 22 watching over what we're doing. It's not like, if 23 you approve this transaction, we get to go and do 24 all kinds of bad things without regulatory review. 25 We're going to be watched and we're going to be

Page 266 1 reporting and we're going to be doing our best to 2 make sure that you're comfortable and confident that 3 you made the right decision. 4 RRC concluded, Milliman concluded that 5 all of the financial criteria and requirements under 6 the two statutes have been met. Ms. Gerst, 7 Mr. Robbins, Mr. Hayward explained the mechanics and 8 the financial impact of the division and the merger 9 and how that will formalize and extend this 15-year 10 relationship. 11 Mr. Robbins -- had he been asked, he 12 would have said -- because you've heard this 13 question raised. "So why was it that this 14 transaction that was going along just stopped at the 15 end of '24 and didn't restart until '26?" 16 And, again, if you ask a well-meaning 17 actuary from RRC or a well-meaning from Milliman, 18 they don't know. Ask the CEO of SCOR. And he'll 19 tell you, as he did in paragraph 8(b) of his 20 rebuttal affidavit, that while AGI suggests the 21 transaction was shelved in the fall of '24, the 22 truth is that SCOR's acquisition of a Transamerica 23 Bermudan affiliate known as TIRE, T-I-R-e, in July 24 of '24 caused a much more complicated integration of 25 both operations and accounting -- and they were very	Page 267 1 real issues -- than was anticipated. And they 2 wanted to get that resolved before they came in and 3 asked you to approve the transaction. 4 They weren't hiding it. They weren't 5 using it as an opportunity to make themselves look 6 better. They were actually getting rid of something 7 that they thought you would have found concerning. 8 The documentary evidence, the testimonial 9 evidence that you've heard today -- it's been a 10 quick hearing. You manage a very good proceeding. 11 It meets the statutory criteria. At this point, 12 it's overwhelming. And AGI has offered no 13 contradictory evidence. 14 Again, hundreds of cedents, thousands of 15 reinsurance agreements, only one objection on behalf 16 of a party and three comments from entities that 17 didn't come and speak to you, except by letter, who 18 are all in disputes and litigation with SCOR and 19 Transamerica. 20 None of those other companies are in here 21 objecting. Many of them, as you've heard, accepted 22 increased rates or recaptured business. They 23 haven't come back moaning and complaining. And, 24 most importantly, they're not objecting today. 25 And so, with that, we submit all the
Page 268 1 requirements in this book under the two statutes 2 have been fully satisfied. We look forward to 3 answering any questions you may have. 4 MR. BULL: So, as I look at 521.8, which 5 is why I'm sitting here today, it indicates if 6 satisfied the interests of members, policyholders, 7 or shareholders of the affected company are properly 8 protected, no reasonable objection. 9 To what value, weight, or persuasion does 10 AGI have to walk in here and say, "We have a 11 concern"? If they are not a member, policyholder, 12 or shareholder based on statutory interpretation. 13 MR. SCHWAB: First, that same Chapter 521 14 provides that if you want to do one -- you didn't 15 have to, but, if you wanted to have a public 16 hearing, those who feel they've been impacted could 17 come and speak. And so they're here. 18 But, remember, that Chapter 521 is 19 entitled "Consolidation, Merger, and Reinsurance." 20 "And Reinsurance." And, in a reinsurance 21 transaction, there are ceding companies and there 22 are reinsurers. And sometimes the reinsurers become 23 retrocedents, so like reinsurance behind 24 reinsurance, and the re-reinsurer is a 25 retrocessionaire. But it's all about reinsurance.	Page 269 1 And so the suggestion that somehow those 2 who are involved in the reinsurance transaction 3 would not be heard or that policyholder interests or 4 member interests are somehow to overcome that very 5 clear legislative intent, it doesn't make any sense. 6 And the other thing that we come back to 7 is exactly -- 8 MR. KORN: I have an answer for that one 9 too. Because this is more of the statutory 10 interpretation questions that I had prepared for. 11 MR. BULL: Okay. 12 MR. KORN: So, if they're not calling 13 themselves a policyholder, shareholder, or member, 14 then I think you're right. That that's not anybody 15 that's technically a consideration under the 16 statute. 17 We think they're adequately protected 18 anyway if you were to characterize them as one of 19 them, but, by its plain language, "cedents" is not 20 listed. 21 MR. BULL: So, to that end, when we 22 examine the next sentence, which talks about 23 reasonable objections, is it Transamerica's 24 perspective or argument that those reasonable 25 objections must come from members, policyholders, or

Page 270 1 shareholders alone? 2 MR. KORN: We haven't taken that 3 position. I think you could read it that way, but 4 we have embraced the notion that we have no 5 reasonable objections here even if you were to 6 entertain the question from them. 7 MR. SCHWAB: And we adopt what 8 Mr. Kosnoff said earlier. And that is, regardless, 9 we extended the protection. And we asked you to 10 consider those interests to the fullest extent that 11 you determine is possible. And so no harm, no foul. 12 That serves the public interest. 13 COMMISSIONER OMMEN: Thank you, 14 Mr. Schwab. 15 MR. SCHWAB: Thank you, sir. 16 MR. CHAKRABORTY: I was wondering -- 17 since we're so ahead of schedule, I was wondering if 18 I could ask for a short break to use the restroom 19 and then we can resume? 20 COMMISSIONER OMMEN: Absolutely. Let's 21 take a 15-minute break. We'll stand in recess until 22 2:45. 23 (Recess taken at 2:30 p.m.) 24 (Hearing resumed at 2:39 p.m.) 25 COMMISSIONER OMMEN: Let's go back on the	Page 271 1 record. 2 We are now ready for closing argument by 3 American General. 4 So, with that, you may proceed. 5 MR. CHAKRABORTY: Thank you, sir. And I 6 just wanted to say at the outset that there is going 7 to be portion of my closing that is confidential. 8 I've already spoken to Elizabeth. And I 9 will indicate to her -- I'm going to be following 10 the same principles I talked about in my opening. 11 And Principal 2, because it does talk about 12 financial information, will be confidential. And 13 then we'll let folks back in for Principle 3. 14 I don't think I've gotten enough time on 15 national television today. So I'm hoping that some 16 of this can at least be a little bit public. 17 COMMISSIONER OMMEN: Understood. 18 MR. CHAKRABORTY: And I should start by 19 thanking Elizabeth and the staff at IID. We've 20 invaded your offices for today. And I know there's 21 been a lot of filings that have to get stamped and a 22 lot of work that goes into this process, and we are 23 very appreciative of that. 24 And I also want to thank Melissa, in 25 particular, who has been taking down this record for
Page 272 1 us. Thank you for all your efforts today. 2 I'm going to start with something that 3 Mr. Schwab said at the end. About who I'm here to 4 speak on behalf of. 5 I am not class counsel. I am not here to 6 speak on behalf of all cedents. But I am here, as I 7 told you in the opening, to be a cedent voice. In 8 behalf of John Hancock, who first intervened, and 9 then on behalf of AGL. Who took John Hancock's 10 place on, I will tell you, a very, very, very short 11 notice. 12 Because we think it's important that you 13 hear from the folks who are most impacted by this. 14 And there is an impact. 15 What Mr. Schwab tried to say was, well, 16 there are a hundred cedent companies out there, only 17 four have objected, and they're all the folks we're 18 litigating against. 19 And, if the issue was that the other 96 20 were not relying on us, at least in part, to voice 21 their objections, if they all had no problem with 22 SCOR Global Life USA being their counterparty, the 23 reinsurance market has a mechanism for how to 24 accomplish this transfer. It's called picking up 25 the phone and asking for a novation.	Page 273 1 And maybe you should ask yourself, as we 2 look at this Plan of Division, why Transamerica and 3 SCOR decided to invest two years of their time to do 4 this through a division if all they could do was 5 pick up the phone and tell non-objecting cedents, 6 "Sign a novation amendment." 7 I don't know everything that went into 8 their mind-set. I suspect they at least thought 9 that some of us would object. And so they're trying 10 to push through a Plan of Division under a 11 divisional statute that we don't think applies 12 because they could not accomplish something that the 13 reinsurance market already permits. Negotiated 14 consensual discussions about who our counterparty is 15 going to be. 16 And, when that happens, a cedent can do 17 the things that Ms. Matson told you every cedent 18 does. Assess their risk appetite, assess 19 counterparty risk, assess risk concentration, and 20 make an economic decision between two sophisticated 21 parties as to how that business relationship will or 22 will not continue. 23 Let me start with one thing that I think 24 is probably the least controversial thing I will say 25 today.

Page 274 1 This is an issue of first impression. 2 And not just in Iowa. Across the country. And, in 3 that sense, Commissioner Ommen, you have the task of 4 applying and interpreting the Iowa division law. 5 You're interpreting it for this state and this 6 proceeding, but it's going to serve as a precedent 7 for everything to come. 8 There's only been one other divisional 9 process before this. It was in Illinois. It 10 involved a group of auto policies where there were 11 some long-tail personal injury claims associated. 12 But they were closed policies. No more claims 13 coming in, they were paying out on the tail. 14 And it's so different here where there's 15 a continuing economic relationship. Every month or 16 every quarter premiums get paid, claims get paid. 17 There is a continuing economic relationship. 18 And I think it's really important for 19 this Commission and for you, Commissioner, to think 20 about what it means for the divisional statute to 21 get in the middle of that relationship and to ask 22 yourself, "Is that what the Iowa legislature 23 intended." 24 From the very first statement that was 25 made in these proceedings, at least to us, the	Page 275 1 May 12th plan filing that we received, this was the 2 statement that they made: They have tried very hard 3 to describe this process as preserving and 4 formalizing the status quo. And I think we all know 5 now that that's not really true. 6 The status quo is not a direct 7 relationship between AGL and SCOR Global Life 8 Americas or SGLUSA or SCOR the parent. The status 9 quo is our relationship with Transamerica. That's 10 how reinsurance works. That's how reinsurance is 11 supposed to work. 12 And so, while they may repeat the status 13 quo argument over and over again, I hope that this 14 Commission takes away that this is, in fact, 15 something that is going to create upheaval in our 16 relationship with the reinsurer that we chose. 17 This is the letter that every cedent 18 received as notice for these proceedings. And this 19 is what they wrote in their letter: 20 As a result of this transaction, TLIC 21 will no longer have any legal obligation or 22 responsibility for the contracts it had entered into 23 and the related liabilities. That changes the 24 status quo. 25 SGLUSA will step into TLIC's role as the
Page 276 1 reinsurer and will replace TLIC as the reinsurer on 2 your reinsurance agreements. That changes the 3 status quo. 4 And SGLUSA, not TLIC, will be responsible 5 for funding all obligations under the allocated 6 reinsurance agreement. That changes the status quo. 7 And I said, at the outset, the 8 reinsurance market already has a way of handling 9 these kinds of contractual substitutions. It's 10 through negotiations and discussions between 11 sophisticated members of the risk transfer 12 community. 13 And what this Plan of Division is doing 14 is using the Iowa division law to override what the 15 market usually does. 16 This approach would have far-reaching 17 consequences for this industry. It would be 18 transforming the statute into a very wide range. 19 And, if you believe their argument about the scope 20 of liabilities, applied to unlimited types of 21 liabilities, a division that lets people change 22 their contractual relationships outside of the 23 commercial relationship based solely on the fact 24 that they're a domestic stock insurer. 25 And maybe there's a question as to if	Page 277 1 this is so broad, if you can actually do any kind of 2 liability -- if you could divide your leases, if you 3 could divide your checking account, if you could 4 divide all these things that have nothing to do with 5 policy liabilities, why is this in the insurance 6 law. Why isn't this in the general business code so 7 that everyone could do this. 8 We, along with the other cedents who have 9 raised their voices, Protective and John Hancock and 10 Sun Life, object to this change. The change in our 11 counterparty. The change in who we are doing 12 business with and who we have done business with 13 sometimes for decades under relationships and 14 contracts that stretch back to the '70s, to the 15 '80s, to the '90s, and right until Transamerica sold 16 its business in 2011. 17 So, when we speak of issues of first 18 impression, there are actually many for you, 19 Commissioner Ommen. Not to put more on your 20 shoulders. 21 But this is the first time anyone has 22 tried to use either a divisional statute or an 23 insurance business transfer statute to transfer life 24 business. 25 And, interestingly, even under some

Page 278 1 insurance business transfer statutes, like Georgia, 2 they don't allow you to use the IBT for life 3 purposes. It's only limited to the property and 4 casualty world. And that's because the life 5 insurance relationship and the life reinsurance 6 relationship is so much different than short-tail 7 risks in the property and casualty space. 8 And this, as you know, is the first time 9 that anyone is trying to use a divisional statute to 10 transfer assumed reinsurance obligations. As I 11 said, the one other divisional statute was about 12 direct auto policies. 13 And so maybe that's where I'm going to 14 start in point 1. With the language of the law. 15 We heard from Mr. Korn and Mr. Schwab 16 about what the law says and what it doesn't say. 17 And I wanted to present to you one more time how we 18 view the statute. 19 And that is Principle No. 1. The Iowa 20 division law does not authorize this transfer. 21 This is a threshold question for you. 22 For you, Commissioner, because you're charged with 23 interpreting this. And the question is simple. Can 24 you read the Iowa division law to authorize the 25 division of assumed reinsurance liabilities given	Page 279 1 the policyholder-focused language in the statute. 2 You have heard the arguments, I know 3 you've asked questions of other counsel, I'm happy 4 to answer those questions as well, but I do want to 5 respond to some of the arguments that were made in 6 the prehearing briefs that were filed by 7 Transamerica and SCOR. 8 And the first is the argument that 9 there's actually no need to look at legislative 10 history or the NAIC best practices and procedures 11 manual or anything about the National Council of 12 Insurance Legislators and how those divisional 13 statutes have come about. 14 They say it's crystal clear that this 15 applies to the division of assumed reinsurance 16 liabilities because of the use of the word 17 "liabilities" and the definition in that. And I'll 18 come back to that in a minute. 19 But we did take note of the Division's 20 memorandum, pretrial memorandum, that they 21 submitted. And that memorandum includes two tables. 22 One table are a list of provisions that suggest, in 23 their view, that the divisional statute does apply 24 to assumed reinsurance contracts. And the other 25 table was a list that suggests it doesn't apply to
Page 280 1 the division of assumed reinsurance liabilities. 2 And so, even if you take the Division at 3 its word, maybe there's ambiguity. There's 4 certainly not clear evidence that the legislature 5 intended for this to apply to the division of 6 assumed reinsurance liabilities. 7 And number one on the list of factors 8 that the Division put in their memo is the fact that 9 terms like "cedent," "ceding insurer," "reinsurer," 10 "assumed reinsurance," none of those things appear 11 anywhere in the statute. 12 Cedents, the party that everyone accepts 13 is the party most impacted by this division and 14 transfer, isn't even mentioned in the Iowa division 15 law. And, as I said, their response is, well, the 16 word "liabilities" is broad enough. So let's take a 17 look at how that term is used. 18 So this is Section 12 of the Iowa 19 division law. And Mr. Korn actually brought this up 20 when he was talking about including policy 21 liabilities. 22 And one of the things that's really 23 interesting about this, and this is a statutory 24 question for you, Commissioner Ommen, is why does it 25 say "including policy liabilities" on every single	Page 281 1 line. 2 If this was, in fact, broad enough so 3 that any liabilities could be divided full stop, ask 4 yourself why, in 1(a) it says "including policy 5 liabilities." Every time the word "liabilities" is 6 included. "Including policy liabilities." "Including policy 7 liabilities." "Including policy liabilities." Six times just in this section. 8 And, as I said in the opening, I don't 9 doubt that other kinds of liabilities can transfer 10 along with the policy liabilities, but I think this 11 language, the fact that they repeat over and over 12 and over again that you have to include in your list 13 the policy liabilities going over suggests that the 14 legislature intended, they presupposed, that policy 15 liabilities are somewhere in the mix. 16 Because, without it, it's no longer an 17 insurance division statute. It becomes a 18 reinsurance division statute or a limitless division 19 statute that an insurer can use to divide any kind 20 of liability. 21 And the question would be why would the 22 legislature be interested in providing that kind of 23 tool. 24 This is one of the reasons that they

Page 282 1 wanted to equate us with policyholders under the 2 statutes. Now, they come here and they tell you, 3 despite the fact that we're apparently wayward 4 litigators, that they had our best interests at 5 heart. That they wanted to give us additional 6 protection. 7 But the reality is the statute doesn't 8 make sense when you read it for cedents. When you 9 look at the use of the word "policyholder" and you 10 apply it to the cedent context, everything falls 11 apart. 12 And, in our prehearing Memorandum No. 1, 13 Commissioner Ommen, we gave you some rules of 14 statutory interpretation. 15 And you're, in fact, not supposed to just 16 focus on the word "liabilities" and say, "Well, that 17 word is broad. That carries the day." Because 18 you're supposed to look at it in the context of the 19 statute. What was the legislature intending to do 20 with that statute. What are the goals and the 21 policy goals it was seeking to achieve. 22 And you know the plan proponents, I 23 think, have backed off and now said we are 24 creditors. That was a question that was posed. 25 And, in our brief, we gave you a	Page 283 1 definition of creditors. And I want to read it to 2 you. This is from Black's Law. "A creditor is 3 understood to be, quote, one to whom a debt is owed, 4 one who gives credit for money and goods." 5 Cedents are not creditors. They can, at 6 any given moment, be a creditor, if there are 7 premium and claim balances, but there are also many 8 times in the relationship where they're not. 9 And so ask yourself why would the 10 legislature decide that if this applied to the 11 assumed reinsurance relationship, in addition to the 12 policyholder relationship, why the most important 13 party in the assumed relationship goes unmentioned. 14 And I think what really kind of 15 crystalizes this for everyone are the notice 16 provisions. There are two parties who have to 17 affirmatively get notice of a Plan of Division. 18 Policyholders and reinsurers. 19 Creditors don't actually get notice. So, 20 under their reading of the statute, they didn't even 21 have to tell us that this was happening. We would 22 learn about it through The Wall Street Journal. 23 So the plan proponents would have you 24 believe that the most impacted party doesn't even 25 have to be told. But, if you pause for a moment and
Page 284 1 look at policyholders on one hand, reinsurers the 2 other hand, and ask yourself why does the law 3 require notice to one party that is a policyholder 4 and one party that is a reinsurer. And the answer 5 is because of who sits in the middle of that 6 relationship. Insurance companies. 7 It makes a lot of sense that an insurance 8 company, a direct carrier who has policyholder 9 liabilities that will be divided, and a reinsurer 10 who have protection that goes along with those 11 policyholder liabilities, that those two entities 12 get notice. Because what you end up doing is giving 13 notice to everyone who is impacted by a divisional 14 statute. 15 When you decide that the insurance 16 company no longer has to be a direct company, that 17 it can be an assumed reinsurer, this doesn't make 18 sense anymore. Because, under their reading, who 19 are the policyholders. Where are the cedents. 20 And, in fact, under their reading, the 21 only people they had to give reinsurance notice to 22 is Transamerica to SCOR. Does that make sense for 23 how you apply the statute? 24 And there's a reason they don't want you 25 to look at the industry material.	Page 285 1 And, Commissioner Ommen, I know you're 2 deeply involved in the NAIC. I know you keep track 3 with what's going on with NCOIL. 4 This divisional statute and restructuring 5 issue has been a hot topic of discussion. And it 6 goes back to around the time Iowa passed its statute 7 in 2019 and the restructuring working group was set 8 up. 9 And they spent a lot of time and took a 10 lot of public comment about what those model acts 11 should look like that NCOIL was promulgating. Model 12 acts that were modeled, in part, on Iowa. Iowa 13 modeled it on Connecticut, Colorado modeled it on 14 Iowa, NCOIL then modeled it on Colorado. They all 15 go together. And the industry has been talking 16 about this for years. 17 And what they are advocating for is 18 fundamentally inconsistent with how the industry has 19 been talking about this issue since 2019. 20 I'm not suggesting that NCOIL is the 21 beginning and end of industry custom and practice. 22 Or of industry knowledge. But here their model law 23 is actually very obstructive. 24 If you first look at the announcement of 25 the division law, all they talk about is the direct

Page 286 1 insurance context. Insurance. Insurance. Insurer. 2 Policyholders. No one is talking about reinsurance. 3 And that is reflected in the model act itself. 4 The Plan of Division requirements 5 actually mirror those in Iowa's. Almost word for 6 word. They have the same "including policy 7 liabilities" everywhere. "Including policy 8 liabilities." "Including possible liabilities." 9 "Including policy liabilities." 10 You can see, in Section 13 of the model 11 act, that it talks about the division in the same 12 way the Iowa statute does. Like the model act, the 13 Iowa law talks only about policyholders and 14 insurers, not ceding companies and reinsurers. 15 And I think that the Commissioner should 16 give that some credence. That that reflects some 17 kind of choice by the industry and the legislature 18 and the government to enact a law that focuses on 19 the insurance relationship, not the reinsurance one. 20 So the rules of statutory interpretation 21 tell you that you must use the fair and ordinary 22 meaning of words. 23 So we gave it to you. We looked to 24 Black's Law Dictionary again. And we looked for the 25 definition of policyholder. "Someone who owns an	Page 287 1 insurance policy regardless of whether that person 2 is the insured party. Also termed policy owner." 3 That is the fair and ordinary meaning of the word 4 "policyholder" in the statute. And the NCOIL model 5 act actually reinforces that. 6 So, if you look at the definitions in the 7 NCOIL model act, they, too, have a broad definition 8 of liability. That's the point Mr. Korn focused on. 9 "Liability means any liability or obligation arising 10 in any manner." 11 But, in 2021, NCOIL, building on all the 12 model acts, actually put in a definition of 13 policyholder. The definition is exactly what's in 14 Black's Law. A policyholder means the owner of an 15 insurance policy. 16 And, if Iowa had done this, there is no 17 question that their approach that we can treat 18 cedents as policyholders wouldn't work. Because it 19 wouldn't go along with the statute. 20 And our position is if you apply fair and 21 ordinary meaning to the words "policyholder," 22 "insurer," and "policyholder liabilities," this 23 division statute can only be read to mean that 24 assumed reinsurance contracts are not included 25 within its ambit.
Page 288 1 What's also interesting to look at, from 2 the industry perspective, is what happened two years 3 earlier with the model Insurance Business Transfer 4 Act that NCOIL passed. And it's right around the 5 same time as Iowa passed its division act. 6 IBTs across the country almost uniformly 7 permit transfers of assumed reinsurance contracts. 8 Now, there are additional steps in IBTs, including 9 you have to go to court. And that's the law that is 10 modeled on a Part VII transfer in the UK. 11 And what they decided to do in this act, 12 "they" being NCOIL, is they added assumed 13 reinsurance into the definitions. An insurer means 14 an insurance or surety company, including a 15 reinsurance company. They included, within the 16 definition of policy, a contract of reinsurance. 17 And they included, within the definition of 18 policyholder, a reinsured. 19 That is the language that you would 20 expect to see in a statute that is intended to cover 21 the division of assumed reinsurance obligations. 22 And I think it's telling that this organization, and 23 NAIC when they're talking about these model acts, 24 included assumed reinsurance in one law and did not 25 include it in the other.	Page 289 1 And the fact that they did include it in 2 the IBT and in the model act, and other state 3 legislatures have done that, suggests that it was 4 intentional that it was not included in the division 5 law. 6 I want to read to you something that we 7 included in our Memorandum No. 1. And it's very 8 much at the end. 9 We talked about a letter that 10 Transamerica sent in 2019 to the NAIC restructuring 11 working group. And, ironically, John Hancock was 12 actually a cosignatory to that letter. They were 13 aligned in their views of the divisional statutes at 14 the time. 15 And what Transamerica told the NAIC is, 16 "We would caution the NAIC and the subgroup against 17 accepting this invitations from commenters who would 18 have you substitute well-intentioned regulatory 19 judgment regarding the proper scope and application 20 of these laws in place of the elected legislatures 21 who passed, and the governors who signed, these 22 laws." 23 If you look at that letter, the word 24 "policy" or "policyholder" is mentioned 60 times. 25 All they do is talk about insurance contracts.

1 There isn't a single public comment, a single public
2 commenter, a single restructuring working group
3 document that suggests that anyone in the industry
4 thought that assumed reinsurance obligations could
5 be divided through a divisional statute as opposed
6 to transferred through the protections of an IBT.

7 And that's where this all leads to for
8 you, Commissioner Ommen. What do you believe the
9 legislature intended with the words it chose.

10 You know the arguments. For them, it's
11 "liabilities" is broad. For us, it is the overall
12 structure of the law, the constant reference to
13 "insurance," "policyholder," and "policyholder
14 liabilities," and the fact that the operation of the
15 law doesn't make sense if you look at things like
16 the notice provisions, which require a direct
17 company to give notice to policyholders and
18 reinsurers, the two entities it has a contractual
19 relationship with, but apparently makes no such
20 provision to cedents under the terms of the statute.

21 Do you, Commissioner Ommen, believe that
22 Iowa stood alone in passing a divisional statute
23 that's broader than what NCOIL suggested in the
24 model act and what the insurance working groups
25 talked about when these were passed. Do you believe

[REDACTED]

1 they did that without a clear and unambiguous
2 designation that assumed reinsurance obligations
3 form a part of proper divisions.

4 And, respectfully, there is nothing in
5 the record that suggests that's what the legislature
6 intended. But, at the end of the day, that's your
7 decision to make.

8 And, with that ominous warning, I'm going
9 to ask Elizabeth to put us in confidential session
10 for Principle No. 2.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Page 302

[REDACTED]

14 Welcome back to the public.

15 Our last principle that I started my

16 opening with and that I'm going to conclude with is

17 the standard that must guide you in these

18 proceedings.

19 And I told you at the outset when I stood

20 in front of you this morning that this presents an

21 issue of first impression for Iowa and for the

22 country.

23 And there is one way that it also

24 presents an issue of first impression. It is the

25 first division, the first business transfer, the

Page 304

1 law student and no one actually tells you what it

2 means. And what it does mean in one context could

3 mean something completely different in another.

4 And so I decided to do -- as anyone does,

5 I threw the word in AI, and I asked them what does

6 the word "reasonable" mean. Fair. Sensible. Based

7 on good judgment. Being in accordance with

8 prudence. Supported or justified by fact or

9 circumstance. Those are the definitions of

10 reasonable.

11 And I respectfully submit to you that the

12 reasonableness of our objection, and the ones of the

13 entities I don't speak for today, Sun Life and

14 Protective, and John Hancock who I sometimes speak

15 for, their objections are reasonable. And I want to

16 tell you what they are.

17 We object to having a counterparty be a

18 company with only \$191 million in surplus when we

19 currently have a counterparty with \$5 billion in

20 surplus. That, respectfully, is a reasonable

21 objection.

22 We object to having our counterparty be a

23 company that is projected to lose money over the

24 next decade or more under prudent assumptions.

25 Assumptions that are good enough for Delaware and

Page 303

1 first any restructuring under any of the new laws

2 that has faced an objection.

3 The Allstate division in Illinois did

4 not. The IBTs that occurred in Oklahoma did not.

5 This is the first time.

6 And so, for the two of you as the

7 Commission, you, Commissioner Ommen, under the

8 divisional law and you, Deputy Attorney General

9 Bull, under the merger law, the question is what do

10 you do in the face of those objections.

11 To address a question that you raised to

12 Mr. Schwab, I do believe a cedent's objections

13 should be considered as part of the language of the

14 statute in the merger law that talks about

15 reasonable objections.

16 That those reasonable objections don't

17 just have to come from shareholders or policyholders

18 or members. That the public, and those who are

19 impacted, can also object. I think there's a public

20 interest in having cedents have a voice at that

21 table.

22 The standard for the question is

23 reasonableness. And -- I think you guys are both

24 lawyers. You know that the reasonable person

25 standard is one that you learn about as a first-year

Page 305

1 should be good enough in Iowa. That, respectfully,

2 is a reasonable objection.

3 We object to being forced into a

4 commercial relationship with a counterparty whose

5 purported strength lies not in its own financial

6 condition but in the financial condition of parents

7 and parent companies who we do not have a commercial

8 relationship with and that we do not have

9 contractual relationships with and will not if this

10 divisional plan goes through. And, respectfully,

11 that is a reasonable objection.

12 We object to being forced into a business

13 relationship with a party who has admitted to you

14 that their business model is to simply raise rates

15 or seek recaptures from their cedents.

16 Mr. Schwab said it to you here today.

17 That the mistake Scottish Re made was they didn't

18 raise rates. And what SCOR is doing is raising

19 rates so they can pay the cedents. Well, that's

20 just taking money from us to pay money back to them.

21 And whatever they tell you, the issue of

22 rate increases in the reinsurance community is a

23 hotly contested issue around different language,

24 around different contractual rights, around the

25 amount of rate increases. No cedents come and

Page 306 1 willingly say, "Here's the money." And maybe that's 2 the reason they're in arbitration with so many 3 people. That is a reasonable objection. 4 We object to our risk concentration 5 decisions, to our counterparty decisions, decisions 6 that are in our hands under actuarial guidelines, 7 under regulatory rules, and under prudent business 8 practices, we object to those being taken away from 9 us to satisfy the business objectives of 10 Transamerica and the business objectives of SGLUSA. 11 You saw in the telephone Q & A, the call 12 center Q & A that I presented to Ms. Gerst, that one 13 of the things that Transamerica is prepared to tell 14 its policyholders when they call the call center is, 15 "One of the benefits here is that we reduce our 16 counterparty risk and improve our risk profile." 17 The only way they reduce their 18 counterparty risk is by shifting it to us. That's 19 what they mean. Their improvement is to our 20 detriment. And we object to that. 21 Cedents like AGL decide very carefully 22 who they're going to do business with. And that's 23 because the life reinsurance relationship is 24 necessarily a long-term one. Who we choose to do 25 business with and who we choose not to do business	Page 307 1 with matters. And we ask that you uphold that. 2 And, finally, I want to say one last 3 thing for the record. Because -- and I'm going to 4 be careful about this. Because I know that a lot of 5 people put a lot of time into this process. But, 6 respectfully, we do have an objection to the process 7 that got us here. 8 And I want to explain to you why. 9 Because this is not intended to be an attack on any 10 one person or any one organization, but I do want to 11 talk to you about how this process under these new 12 restructuring laws is supposed to work and how we 13 think it didn't quite work the way it should have. 14 So this is the setup under the Iowa 15 division law for what is supposed to happen. And 16 what's really interesting about the way the 17 legislature and the model act sets it up is that 18 certain things are triggered by the filing of the 19 division plan. 20 After a dividing insurer approves a Plan 21 of Division, the dividing insurer shall file the 22 Plan of Division with the Commissioner. So that's 23 step one of how it's supposed to work. 24 The board, as Transamerica did, get 25 together, figure out what the Plan of Division is,
Page 308 1 and they file it with you, sir. And everything that 2 comes after should come after. 3 Step two. You give notice to 4 policyholders and to reinsurers. Again, that makes 5 sense for a direct carrier. They want to make sure 6 that the people who are most impacted know that this 7 is happening. 8 Step three. A hearing is arranged. And 9 it's a contested case. And it says something that 10 the legislature made that decision too. Because, 11 again, your role as Commissioner, or whoever you 12 delegate as your presiding officer, is intended to 13 make sure that a policyholder who can't afford 14 lawyers, who might not understand notices has the 15 protection that a more sophisticated party might 16 otherwise have through lawyers. 17 And step four in this process is the 18 Commissioner selects and retains an independent 19 expert. Just like Ms. Matson. 20 And, while every step does not have to 21 flow perfectly, I do think the statute contemplates 22 that it happens in that order. The Plan of Division 23 gets filed and then the Commissioner starts the 24 journey of figuring out do I approve it. 25 I heard Ms. Sole go through in her	Page 309 1 opening, and also in examinations through 2 Mr. Kosnoff, that everything happened hand in glove 3 between these entities. And there are a lot of ways 4 that that makes sense. Right? I think what 5 Ms. Gerst said is, "They put us through our paces." 6 The problem with it is they did it before 7 the filing of the plan. And that's not the way it's 8 supposed to work. And I want to explain to you why 9 I say that. 10 We know that RRC was retained in 2024. 11 That's the process. And then there was a pause. 12 And then it started again. And what we have heard 13 is there were weekly phone calls, weekly telephone 14 calls, lots of things going back and forth. 15 And what Ms. Gerst actually says is that 16 the plan reflects advice and comment from RRC and 17 its counsel for the Division, Faegre. 18 That's actually not the way it's supposed 19 to work. The NAIC best practices and procedures 20 act, which was passed in December of this year, 21 actually gives a little bit of guidance as to what 22 the process is supposed to be. 23 And this is what they write: "The review 24 should be conducted by the domestic regulator 25 assisted by qualified independent experts or

Page 310 1 in-house Department of Insurance expertise for CD," 2 corporate divisions, "and should identify key risks 3 to the transaction. The independent expert should 4 not be a Department of Insurance employee and should 5 be able to assert independence from the reporting 6 entities under discussion." 7 And, in subsection (f) they have a way of 8 actually characterizing it. "The experts should be 9 independent of any influence from the companies 10 involved and subject to the approval of domestic 11 regulators." 12 All the things they say about how closely 13 they worked together up until the filing of the plan 14 is actually exactly how it's not supposed to work. 15 What's supposed to happen is the plan 16 gets filed and RRC stays completely removed from 17 discussions with Transamerica, discussions with 18 SCOR, and they play the role of independent expert 19 in a different way. 20 I am not suggesting that Ms. Matson was 21 captured. Or that RRC was a captured entity. I do 22 believe they did their best to do the best product 23 they could. 24 But the process that they put Ms. Matson 25 in is not the process that the best practices	Page 311 1 procedure says is the right one. They should not 2 have been side by side with TLIC and SCOR. They 3 should have been separated from any influence from 4 these entities. 5 And all of this matters because of what 6 you, Commissioner Ommen, under the division law, 7 need to find. You need to have "a high level of 8 confidence that policyholders and key stakeholders 9 will experience no material adverse impacts. The 10 regulatory review must be robust." 11 And the next section of the NAIC manual I 12 think is even more instructive. "Prescribed 13 conservative assumptions should be included." That 14 sounds like prudent ones to me. "Resulting 15 projected RBC ratios and projected capital ratings 16 should be reviewed." 17 And this is a really important sentence. 18 "Policyholders and other key stakeholders should 19 have the same economic protections which existed 20 prior to the IBT or CD, including but not limited to 21 Guaranty Association protection. 22 And the last thing I will say about this 23 are the last few words of 3(c). That "the final 24 decision should also include input from 25 policyholders." Here that's us. The cedents.
Page 312 1 And I used the line in my opening that 2 I'll use again. We have been treated as intruders 3 instead of intervenors. What this NAIC best 4 practices manual tells you is that our input is 5 central to your decision-making process. 6 The input that my client at American 7 General is providing to you is that we object. We 8 object because we do not believe that SGLUSA, our 9 actual counterparty, has the same financial strength 10 as the current one. 11 And we are deeply concerned about being 12 part of a reinsurance relationship where the capital 13 decisions and the support for the operating entity 14 lies not with Transamerica but rather with a company 15 based overseas who are subject to different 16 regulatory rules and reporting guidelines than we 17 have here in the U.S. 18 I don't know what SCOR SE is going to do 19 tomorrow. I don't know what their decisions are 20 going to be. And while at some level I don't know 21 what Ms. Gerst is going to do either, I do know 22 about the financial strength of Transamerica. 23 And, on this record, I respectfully ask 24 that both of you exercise your discretion and deny 25 approval of this plan.	Page 313 1 I thank you for your time and I thank you 2 for your hospitality. And I will stand here for a 3 second in case you have questions. 4 COMMISSIONER OMMEN: Thank you. I do 5 have a question. 6 Again, returning to the statutory 7 construction issue, it is your argument that 521I 8 doesn't contemplate application to cedents or 9 assumed treaties, but are you arguing that's true 10 even if the plan was the intent to divide and 11 distribute retail contracts to the resulting entity 12 but that the reinsurance would be maintained with 13 the original -- again, I may be mixing resulting 14 with that original. 15 But if Transamerica had held back the 16 reinsurance but had been transferring a block of 17 retail policies, would your conclusion be the same? 18 MR. CHAKRABORTY: If Transamerica is only 19 dividing policyholder liabilities, then they can 20 plainly do that under the statute. 21 What can get allocated along with that is 22 the outward reinsurance agreements that cover those 23 policies. Because in the risk transfer -- we're not 24 reinsuring a company. We're reinsuring a risk. 25 So, if policy A issued by Transamerica is

Page 314 1 going to be divided to TLIC and a reinsurer 2 reinsures policy A, that outward reinsurance gets 3 allocated. 4 COMMISSIONER OMMEN: Right. But that's 5 where I guess I'm not understanding. In other 6 words, if the assuming reinsurance in this 7 circumstance as proposed is moving, but, in the 8 other circumstance, had it just been retained -- you 9 still would have your ability to object, but how is 10 it that -- are you saying the statute could not ever 11 even be -- that the division statute could not be 12 employed in that circumstance or not? 13 MR. CHAKRABORTY: I don't think the 14 division statute applies if, in my example of 15 policy A being moved to TLIC, policy A is assumed 16 reinsurance contract A. Because that's not how the 17 statute is written. 18 COMMISSIONER OMMEN: But that's my point. 19 So, if it's held back, if it's not the block that 20 goes with the division, that would be okay? That 21 is, Transamerica could use this statute if they were 22 simply dividing for the purposes of dividing off a 23 block of -- say a defined block of long-term care 24 policies. 25 MR. CHAKRABORTY: Yes.	Page 315 1 COMMISSIONER OMMEN: Well, how is it that 2 in the statute that distinction is made? 3 MR. CHAKRABORTY: I think it's by the use 4 of the word "policyholder liabilities" over and over 5 again. 6 So this is where the difference is. So 7 they tell you that the word "liabilities" is broad 8 enough to include any kind of liability. 9 COMMISSIONER OMMEN: But my 10 responsibility is to evaluate both sides of that 11 division. So how is it that you're saying it would 12 be possible for them to move a block of legacy 13 long-term care, but they can't move a legacy of 14 assumed reinsurance. 15 MR. CHAKRABORTY: Because I think that's 16 what the legislative authority is. So, when these 17 statutes were being discussed in the first place, 18 the idea was that all these direct carriers had 19 these old policies on their books of business that 20 were running off and that they wanted to reallocate 21 capital and make different decisions for the direct 22 business. The same discussion was not had for the 23 assumed reinsurance business. 24 Now, there might be a restructuring 25 mechanism that makes sense for transferring assumed
Page 316 1 reinsurance business, but that's an IBT that Iowa 2 hasn't passed yet. 3 So I think the policy decision as to 4 whether you can apply the division statute to a 5 policyholder liability versus an assumed reinsurance 6 liability falls on the side of, yes, you can do 7 policyholder liability but you can't do assumed. 8 If Iowa had an IBT, we'd be having a very 9 different conversation. 10 COMMISSIONER OMMEN: Again, I want to 11 make sure I understand. So you're saying that I'm 12 to interpret the law that it doesn't apply to the 13 insurer that can actually engage in the division, 14 but I have to look at the result of the plan to 15 determine if the statute applies? 16 MR. CHAKRABORTY: Yeah, I think you have 17 to look at the nature of the business that is being 18 divided. 19 There are, in fact, not a lot of 20 companies out there, direct carriers, who are also 21 reinsurers. Transamerica happens to be one of them 22 because of their legacy setup. 23 And it's hard for me to think that the 24 legislature passed this law that could essentially 25 only be used by a very, very small number of	Page 317 1 domestic stock insurers who happen to have also had 2 an assumed reinsurance block in the past. 3 COMMISSIONER OMMEN: Right. Whether they 4 consider it or not, I'm just trying to make sure I 5 understand the thinking behind your concern. 6 MR. CHAKRABORTY: Yes, sir. 7 COMMISSIONER OMMEN: My other question 8 relates to the evidence. In the document that you 9 referred to at the end as to the reasons concerning 10 the reasonableness of the objections. 11 Just, again, so I understand the 12 interpretation of those provisions, are you 13 suggesting that the reasonable objection could come 14 from anywhere or anyone or is there a limit to who 15 has, essentially, the position to forward an 16 objection? As an example, could a university 17 professor come in here and object to this as well on 18 theoretical terms? Or do you have to show some 19 actual harm? 20 MR. CHAKRABORTY: That's a good 21 regulatory question in terms of the Iowa 22 Administrative Procedures Act. 23 I would think that a university professor 24 could come and give a public comment about policy 25 issues. But, when it comes to reasonable

Page 318 1 objections, I would think that a party who is 2 impacted by the proposed Plan of Division -- so the 3 way I look at it is some kind of standing issue. 4 That you would consider the objections of those who 5 are going to be impacted by the proposed Plan of 6 Division. 7 I do think that the public could have 8 come onto the line today and made an objection from 9 a policy perspective, made an objection from another 10 perspective, and then it's a question for you and 11 for Deputy Attorney General Bull to weigh the 12 importance of that objection versus the interest 13 that they had in the proceedings. 14 COMMISSIONER OMMEN: And that standard 15 applies -- again, I know, by statute -- I would 16 describe it as both the division statute and the 17 merger statute are sort of like a hinge. Or by 18 marriage. I mean, I think they're clearly 19 connected. But that standard applies to the merger 20 stage of the review. 21 So of what significance is your 22 reasonable objection to the division portion of my 23 review? 24 MR. CHAKRABORTY: Well, so the division 25 ends up with TLIC and TLIC-A. I still think our	Page 319 1 objection as to the ability to divide in the first 2 place is the statutory language. So can you set up 3 a TLIC-A that has a stand-alone taking on all these 4 assumed reinsurance obligations? I don't think the 5 statute authorizes that. In the first instance. 6 The strange place we find ourselves here 7 is this transaction is not going forward unless both 8 things happen at the same time. Transamerica wrote 9 that in the Plan of Division itself. So TLIC-A is 10 actually not going to exist unless the merger is 11 also approved at the same time. 12 And so that's the difficulty of how we -- 13 like, I look at this from a practical perspective. 14 As of today, my client has a contract with TLIC. If 15 this Plan of Division goes through tomorrow, my 16 client is going to have a contract with SGLUSA. 17 It's a two-step process to get there 18 under the Plan of Division and Merger. 19 Step one. Divide into TLIC-A. The 20 statutory question under the division law, 21 Commissioner Ommen, is, in fact, can you even divide 22 that. That's the assumed reinsurance versus the 23 policy liabilities issue. 24 And then the secondary question becomes 25 the reasonableness of our objections. Which I agree
Page 320 1 is the standard in the merger law. 2 But then there's also a strange place 3 here where you asked about is it unfair to the 4 creditors, is it unreasonable to the creditors, are 5 we adequately protected. 6 No one is arguing that we would be 7 adequately protected if TLIC-A was our counterparty. 8 Everyone is sort of skipping over that step. 9 But TLIC, as a company, has a \$5 million 10 capital contribution that is being returned as soon 11 as the merger occurs. It was just a loan. A 12 short-term loan. It has the reinsurance 13 projections. It has the net worth maintenance 14 agreement. No one expects that entity to actually 15 continue. 16 If there was no merger component here, if 17 this was just a Plan of Division and Transamerica 18 came to you and said, "We are going to divide TLIC 19 into TLIC-A," then all the questions that you would 20 be asking about, is it reasonable for cedents to now 21 have TLIC-A as its counterparty, you would then be 22 asking about the RBC ratio for TLIC-A, the ratings 23 for TLIC-A, the parental guarantees for TLIC-A. 24 All of the things you have to find 25 affirmatively under the division law in that	Page 321 1 instance would apply only to TLIC-A. 2 But because we have a simultaneous 3 merger -- and this is where things have gotten a 4 little conflated. Even in the RRC report where they 5 treat SGLUSA as the resulting insurer. They're not 6 the resulting insurer under the division law. 7 TLIC-A is. They're the merger partner under the 8 Iowa merger law. 9 But all the evidence in this case has 10 sort of mixed those two concepts together. And so 11 we have raised a lot of our objections as to the 12 SGLUSA component, because, practically speaking, at 13 the end of the day, what they're trying to do is 14 accomplish one thing through two different steps. 15 COMMISSIONER OMMEN: So to that point -- 16 again, understanding your position that your client 17 is not a policyholder in reference to 521I, is it 18 then your position that the standard under that 19 provision; that is, the division law, is is that the 20 requirement is that I find that the creditor is 21 adequately protected? 22 MR. CHAKRABORTY: So my position in the 23 first instance is you shouldn't even be applying 24 this law to us. 25 COMMISSIONER OMMEN: I understand that.

Page 322 1 But I'm saying that assuming that you're wrong and 2 that it does fit, based upon my understanding of the 3 legislation, is it then your position that the only 4 provisions that really apply concerning your 5 classification as a creditor is the provision that 6 ensures that you must be adequately protected? 7 MR. CHAKRABORTY: There's nothing else is 8 what I can only answer. Because I do not believe a 9 cedent neatly fits as a creditor. And I do not 10 believed a cedent is a policyholder. And then 11 you're left in a position where does that mean the 12 Commissioner doesn't have to figure out that cedents 13 are adequately protected? Which doesn't make 14 sentence as an end product for the statutory law. 15 That's the challenge I find myself with 16 here. I do not believe that the language of 17 creditors applies to cedents. But, if you're going 18 to find the law applies, then I guess that's where 19 you fit us in, although the Plan of Division treats 20 us as policyholders? 21 I'm being asked to -- I think we are all 22 being asked to apply words to a commercial 23 relationship that those words don't really make a 24 lot of sense in. 25 I do think you should still find that the	Page 323 1 adequate protection exists. Because we are the 2 party impacted by this. And it can't be that 3 there's a legislative setup where this Plan of 4 Division goes through and a party who is directly 5 impacted has no protections under the law. Because 6 that would be a perverse outcome of legislative 7 intent. 8 MR. BULL: I think you answered, in part, 9 the question I've been asking all along. And I just 10 want to give you another opportunity as it relates. 11 If AGL isn't one of those things. 12 And what I hear you telling me, or 13 telling the Commissioner, is you can't look at this 14 statute and try to morph it into the other type of 15 business, IBT. 16 Correct? 17 MR. CHAKRABORTY: Yep. 18 MR. BULL: We shouldn't do that. Because 19 that's not what the legislature intended. They had 20 a choice. 21 So how do I read into you should be one 22 of -- we should include another category which is 23 not enumerated in the statute. 24 MR. CHAKRABORTY: Are we talking about 25 the merger law?
Page 324 1 MR. BULL: Yes, sir. 2 MR. CHAKRABORTY: Yeah, so my reading of 3 the merger law statute and the reasonable objection 4 standard that says "and no other reasonable 5 objection exists," I don't read that as tied only to 6 shareholders, members, and -- I think policyholders 7 is the third one. I think the "and" there is "in 8 addition to." 9 MR. BULL: So any individual would have 10 standing to have a reasonable objection. 11 MR. CHAKRABORTY: I think it goes back to 12 what I said to Commissioner Ommen that you certainly 13 would have to weigh the objection, and the 14 reasonableness of the objection, with what impact 15 the merger has on them. 16 So, if someone happens to be walking down 17 the street, listens in on this proceeding and says, 18 "I am fundamentally offended by Transamerica merging 19 with SCOR," and you ask, "Well, what interest do you 20 have in it," and they say, "None," it's hard to say 21 that that objection is reasonable. Because part of 22 the reasonableness is the impact on that person. 23 So these proceedings -- I don't think 24 there's any question. And even the Division memo 25 says it. We are the party who is most impacted by	Page 325 1 this. 2 And so the reasonableness of our 3 objections, I think, should -- our standing to make 4 the objection, I think, should be assumed. Because 5 everyone agrees that we are the ones who are going 6 to be impacted. 7 We have disagreements as to how much, we 8 have disagreements as to whether that impact at the 9 end of the day is material, but no one disputes that 10 we are the one whose contracts are going to move 11 over from Transamerica to SCOR and have another 12 counterparty. And so the reasonableness of our 13 objections has to take into account that we're the 14 ones who are going to be impacted by this. 15 COMMISSIONER OMMEN: Thank you. I want 16 to leave time for rebuttal. So thank you very much. 17 MR. CHAKRABORTY: Thank you. I really 18 appreciate the opportunity. 19 MR. KORN: I just have one question to 20 ask my colleague here. 21 I just wanted to make sure we have the 22 division of labor set. 23 Okay. We are getting close to the end of 24 the day. I think we have a little bit of time left, 25 and then hopefully we'll all be able to enjoy the

Page 326 1 fair and other public hearings, whichever is on the 2 agenda. 3 I just wanted to circle back to a few 4 things that Mr. Chakraborty said and make sure that 5 there's nothing that hasn't been discussed and is 6 left unanswered. 7 So I did get an answer to the question I 8 posed in my closing about what the "this" is that he 9 says is outside the scope of the division statute. 10 He added the words in when he read them again. He 11 said, "The Iowa division law does not authorize this 12 transfer." That was the word he used. 13 But the Iowa division law does not affect 14 a transfer. That's in the statutory text. So it 15 authorizes an allocation of assets and liabilities. 16 That's what we're doing. There's no limiting 17 language, narrowing language. He could not point to 18 any that would limit to only the allocation of 19 policy liabilities. Or retail policy liabilities. 20 That's just not in the statute. 21 Where it says "including policy 22 liabilities," it always follows "liabilities," 23 comma, "including policy liabilities." 24 So I don't think that there is a 25 justification for imposing some narrowing statute	Page 327 1 based upon the idea that we're trying to affect a 2 transfer from the division statute when that's not 3 what we're doing. His argument is really with the 4 merger. 5 Second, he pointed to -- and I'm not 6 going to go in particular order. So just bear with 7 me. 8 Second, he talked about how the 9 division's prehearing submission implied that the 10 statute was ambiguous. I don't think they went so 11 far as to say that. To the extent that there is 12 ambiguity, the Commissioner does need to decide it 13 and say what the statute means. 14 And you did put the Division counsel on 15 the spot and ask them where do they come out on this 16 issue. And, even though they didn't say so in their 17 prehearing submission, they agreed that the scope of 18 the statute does comprehend the proposed Plan of 19 Division. 20 So, to the extent there is ambiguity, 21 they would resolve it in favor of the broader 22 application. Which is consistent with the statutory 23 text. 24 Third, there was a lot of discussion 25 about NCOIL and the model division and IBT statutes.
Page 328 1 This may not -- I'm sure this wasn't missed, but 2 that guidance postdates enactment of the Iowa 3 statute. So it is not a valid interpretive aid in 4 resolving any ambiguity or determining what the 5 legislative intent is. 6 That evidence, which is in his 7 presentation, and you can see it in the presentation 8 yourself, was issued in 2021. Which is two years 9 after the statute was enacted. So it cannot inform 10 the meaning of the statute that was passed by the 11 Iowa legislature two years earlier. 12 Second, and related to that, he's trying 13 to draw this sharp distinction between division laws 14 and IBTs. As if division laws are for the division 15 of policy liabilities, and particularly retail 16 policy liabilities like blocks of long-term care, 17 and IBT is for the exclusive domain of reinsurance. 18 Or, you know, bespoke insurance. 19 That's not what the guidance says. I'm 20 sure you're way more familiar with it than I am, 21 but, to give you an example, there's some citations 22 to Illinois in the papers. 23 As we pointed out in our papers, the 24 Illinois division statute, which I believe was 25 enacted after the IBT statute, although I may have	Page 329 1 it backwards, specifically comprehends the division 2 of reinsurance liabilities too. 3 So even the statutes that were enacted in 4 reliance on this kind of guidance do not draw the 5 fine distinction between reinsurance and policy 6 liabilities that AGL is trying to draw. 7 And, even if it were a valid interpretive 8 aid, it is not a distinction that really exists 9 between IBT and division. One is a transfer of 10 contract. One is a corporate restructuring. And 11 those are the distinctions. It's not related to the 12 nature of the underlying assets or liabilities that 13 are being divided. 14 So, when Mr. Chakraborty says that Iowa 15 stood alone in passing the division law broader than 16 the NCOIL model acts, that doesn't really make 17 sense. Because, first, that's not what the NCOIL 18 model acts really say. And, second, the NCOIL model 19 acts postdate Iowa. So it could not have been a 20 derivation of that. 21 My co-counsel from SCOR will address the 22 comments about the parental guarantee and some of 23 the other things he said. I want to focus on two 24 things. And I might overlap a bit with SCOR and 25 then I'll conclude and pass the mic.

Page 330 1 First, there was a lot of discussion at 2 the end of his presentation about objecting to the 3 process. And that the statute dictates a different 4 process. And the NAIC dictates a different process. 5 There was some implication of 6 coordination or collusion between Transamerica, 7 SCOR, and the Division. I just want to say, for the 8 record and very clearly, there was no collusion. 9 There was nothing that was done improper. 10 Transamerica went to its regulator and 11 worked with its regulator. The regulator was 12 independent, hired independent financial advisors 13 and actuaries, and, as you heard repeatedly 14 throughout the day, did not give us anything like an 15 easy time. 16 This was pressure-tested by some of the 17 premier actuarial firms on the planet that are 18 incredibly well respected. And the suggestion that 19 their integrity was compromised in some way is 20 offensive. To say the least. 21 So I just want to say that we take 22 umbrage with the suggestion that there was anything 23 untoward going on between Transamerica and the 24 Division. 25 And then, finally, there was a lot of	Page 331 1 discussion about the no reasonable objection 2 standard. I don't know that I would rely on AI 3 searches for definitional purposes on this one. The 4 one thing that I think we should be able to all 5 agree on is, for it to be a reasonable objection, it 6 has to be reasonable. And it has to -- and that's 7 an objective standard. There has to be some basis 8 for it. 9 The main objection here is that AGL 10 doesn't believe that SGLUSA has the same financial 11 strength as its existing counterparty. They don't 12 believe it. Okay. Where's the proof? Where's the 13 evidence? 14 We have, on one side of the scales, two 15 actuarial opinions from independent actuaries that 16 are incredibly well respected that are not going to 17 compromise their integrity after doing a tremendous 18 amount of work. 19 You have the witness evidence, you have 20 the affidavits, you have all the financial data that 21 we've put in. 22 On the other side, you have speculation. 23 That is not a reasonable basis to say that SCOR or 24 SGLA lack the same financial strength as their 25 existing counterparty. They have no factual basis
Page 332 1 to say that there is going to be any impact. Much 2 less an adverse impact. 3 They don't like that we are changing 4 their counterparty without consent to the merger. 5 That's not a reasonable basis. You have seven 6 specific criteria that have to be satisfied under 7 the division law that ensure solvency, financial 8 adequacy, that the policyholders, creditors, and 9 other affected persons are going to be adequately 10 protected. That answers the question of whether or 11 not there's a reasonable objection. 12 And, if you look down the list that is on 13 slide 22 of the presentation that Mr. Chakraborty 14 gave, each one of these is speculation. And it's 15 about changing the counterparty. 16 The first one -- and I'll give you a 17 moment to get there. It's in Mr. Chakraborty's 18 presentation. Slide 22. 19 The first one was that we are changing 20 the counterparty from a company with a surplus of 21 \$5 billion to a company with only \$191 million in 22 surplus. 23 That ignores all of the evidence you have 24 of the financial wherewithal of SCOR SE, how it 25 manages its capital, the actuarial opinions to	Page 333 1 support that from both the independent actuary that 2 is not beholden to us in any way, shape, or form as 3 well as from Milliman, and we don't have any 4 actuarial evidence saying to the contrary. 5 So there's no evidence to support that 6 that is a valid or reasonable objection. 7 The next one. "Changing our counterparty 8 to a company projected to lose money over the next 9 decade or more." 10 RRC said unequivocally that that doesn't 11 matter. Even if the projections were to go with the 12 prudent set, that it would not be a material 13 difference and that that would not have altered the 14 opinions whatsoever from RRC. 15 "Forcing us into a commercial 16 relationship with a company who relies on the 17 capital decisions of its foreign parents." 18 I thought that was interesting since 19 Transamerica has a foreign parent also. Aegon is 20 the foreign parent. Sure, it's in the midst of a 21 domestication here, but it's still a foreign parent. 22 I'm not sure what the difference is or what the 23 implication is, but, again, it really doesn't matter 24 once you look at what the evidence that is before 25 you shows.

Page 334 1 "Forcing us into a commercial 2 relationship whose business model depends on raising 3 rates on cedents and litigating against cedents." 4 Again, it's the same issue. There's no 5 evidence suggesting that there's any adverse impact 6 on any cedents from the perspective of financial 7 strength and the ability to pay the claims when they 8 arise. 9 The evidence that had this before you is 10 all one-sided and it's unrebutted. There are 11 questions that have been raised, shots that were 12 taken, but no evidence from any actuary -- and 13 Mr. Chakraborty is not an actuary, he's very smart 14 but he's not an actuary -- providing evidence that 15 there is any concern here. 16 And then last. "Stripping us of our risk 17 concentration and counterparty decisions." 18 That's really the nub of it. But that's 19 what the statute says. They don't have a consent 20 right under the statute. And they didn't bargain 21 for a consent right in their contract. 22 So the fact that we are changing 23 counterparties pursuant to the authorizations that 24 are permitted under the division law and the merger 25 law, it cannot be a reasonable objection.	Page 335 1 They might have an argument with the Iowa 2 legislature. They can take it to the Iowa 3 legislature. But that is not a reasonable 4 objection. 5 At bottom, they point to the standard in 6 the NAIC about no material adverse impacts. Do you 7 have any evidence suggesting that there will be? 8 You don't. The evidence is all to the contrary. 9 They have no factual basis to say that 10 any cedent, much less AGL, will suffer any harm, and 11 they have no evidence that the treatment that they 12 will have, that they've had for 15 years already, 13 will be any different in the future assuming this 14 deal is approved. 15 They don't even have any evidence that 16 there's going to be impact. Much less adverse 17 impact. 18 That's the problem when they have no 19 evidence, but they're trying to make reasonable 20 objections. They don't match. 21 Thank you. 22 COMMISSIONER OMMEN: In his closing 23 comments, counsel for American General mentioned 24 that Transamerica may be the only company in the 25 state -- I don't know, I assume not in the
Page 336 1 country -- that fits within this circumstance where 2 you're both a direct writer as well as a reinsurer. 3 But I was just trying to understand this 4 interpretation of the law which would suggest that, 5 as to Transamerica, if the plan had been to 6 essentially divide and then allocate basically a 7 block of closed business of policyholder liability, 8 then the law could be applied. But, if it's in this 9 circumstance where you were allocating assumed 10 reinsurance, it doesn't apply. 11 And I just was curious if you had any 12 response to that. Because I -- again, I don't think 13 that the legislature, frankly, had Transamerica in 14 mind. I think they tried to put in place a law that 15 would be applied to domestic companies. 16 I don't know if you have any thoughts on 17 that. 18 MR. KORN: I think that's the point. 19 Respectfully. If the legislature had in mind a law 20 to apply generally to domestic companies, then 21 that's what we're doing. 22 Whether they had Transamerica in mind or 23 some other company in mind, the authorization and 24 the trigger, from the statute's perspective, is are 25 we a domestic stock insurer. And then it authorizes	Page 337 1 us to allocate all liabilities and all assets. And 2 that's what we've done. 3 I don't think that there is any hook in 4 the text to say that we can only do a division if we 5 have the ability or are allocating policy 6 liabilities or any restriction that says we can't 7 allocate assumed reinsurance obligations. That's 8 just not in the text. And that's a limitation that 9 would involve narrowing the statute in a way that 10 would do violence to the words. 11 COMMISSIONER OMMEN: Thank you. 12 MR. BULL: No questions. 13 MR. SCHWAB: Mine is the most unenviable 14 position. Because I'm keeping all these good people 15 from the fair. Just a few quick points. 16 First. The very first division that was 17 done was in 1995. We gave you briefing on that. It 18 was the CIGNA/Brandywine division that was done 19 under Pennsylvania law and included reinsurance as 20 well as policies. 21 Second. Independence of RRC and Milliman 22 does not mean deaf mute. It means they can't be 23 interested, they can't be biased, they can't be 24 colluded. There's no evidence of that here. 25 Third. You put your finger right on it,

Page 338 1 Commissioner. And that is if you move a policy, the 2 reinsurance goes with it. 3 So, under their reading of the statute, a 4 policy can be moved and the reinsurance goes right 5 along with it. Because that's exactly what the 6 statute says. And that's why, as my co-counsel so 7 ably pointed out, when you do a plan, you have to 8 allocate reinsurance contracts. And, when you do a 9 plan, you have to give notice to reinsurance 10 counterparties. 11 Fourth. I'm reminded of Shakespeare. 12 Romeo and Juliet. I know. How does that fit here? 13 Because it's all about what's in a name. 14 Curiously, under AGL's conception, TLIC 15 could have taken all of its business, except this 16 block of business, and moved all of it into TLIC-A, 17 and they'd still have TLIC as their reinsurer. 18 That's an absurd result. They could move 19 it all into TLIC-A, but they can't move just this 20 block of business into TLIC-A? That's absurd. 21 Last. Let's close the point. If there 22 is any doubt in the Commissioner's or the Attorney 23 General's mind about SCOR's belief that the parental 24 guarantee applies to all business in SGLUSA's book, 25 then you may condition your approval when receiving	Page 339 1 confirmation from SCOR that, upon the division and 2 the merger, the parental guarantee will specifically 3 apply to this book of business as well as it applies 4 to all of the other business pursuant to its terms. 5 Let me be crystal clear. If you want 6 that confirmation from us as a condition to approval 7 of this transaction, SCOR will give it to you. And 8 that will eliminate the issue. That's how much SCOR 9 believes in this transaction. 10 Thank you. 11 COMMISSIONER OMMEN: Thank you, sir. 12 MR. KOSNOFF: Commissioner, I'd like to 13 be heard just for a minute? 14 COMMISSIONER OMMEN: Yes. You may have 15 opportunity for rebuttal. 16 MR. KOSNOFF: You know, there's no such 17 thing as a perfect statute. I've never seen a law 18 where every provision fits perfectly with every 19 other provision and it works like clockwork. That's 20 just not the world we live in. And that's sure not 21 the way our legislatures work. Right? 22 The legislatures do the best they can. 23 They pass the laws. And then, unfortunately, the 24 regulators have to make sense of it and make it 25 work.
Page 340 1 That's what's happening here. The 2 division law is like every other law we've ever 3 seen. It's not perfect. 4 I think, if you focus on individual 5 discrete parts, you can wrap yourself around the 6 axle and you can start squinting and thinking this 7 sort of transaction that the parties have put 8 together simply is not contemplated by the statute. 9 I don't think that's a fair reading of 10 the statute. And neither does the Division. 11 And I think, if you look at the totality 12 of the statute, I think you'd have to conclude that 13 this sort of allocation of assumed reinsurance 14 contemplated by this plan fits within what the 15 legislature intended. 16 With respect to process, a few thoughts. 17 The Division has to have some gatekeeper 18 role to play to ensure that plans of division are 19 facially appropriate to put before the Commission. 20 If the regulator, if the Division doesn't 21 play that sort of role, we're going to waste a whole 22 lot of time on your part, we're going to waste a 23 whole lot of time on the part of the public and 24 anyone else that gets notice of it. So they've got 25 to have some role to play.	Page 341 1 The statute does not dictate when the 2 Commissioner is to retain the independent expert. 3 You can retain the expert when you see fit. And 4 there's nothing inappropriate with the timing of 5 RRC's hiring here. 6 And, finally, any suggestion that RRC was 7 somehow inappropriately influenced or swayed in 8 their judgment I find just not to be credible. 9 Right? 10 We've heard testimony from multiple 11 witnesses that RRC was putting the party through 12 their paces, not the other way around. 13 And so, if anything, we ought to take 14 comfort in the aggressive, assertive, independent 15 way that RRC operated here and not express concerns 16 about they're somehow being captured. 17 Thank you. 18 COMMISSIONER OMMEN: All right. I think 19 we've reached the end of the hearing today. 20 Before we close, just let me thank all of 21 you for your presentation. And, frankly, for, I 22 know, the large amount of work that went into 23 preparing for this hearing. 24 Again, I want to thank all the parties 25 for the work that went in prior to this hearing with

Page 342 1 regards to the review as well. 2 Again, I sit as a department head. And 3 so I don't have the privilege of working with you in 4 great detail. And, in fact, it probably would 5 disqualify me as a hearing officer and 6 decision-maker if I did. 7 But I greatly value the work that went 8 into this from the experts that were involved. 9 Certainly with the interest demonstrated by American 10 General in intervening and the really significant 11 role that you played as well. 12 With that, I know we had some prehearing 13 discussions about any briefs that you might want to 14 file. 15 To be frank, I think they're due by the 16 end of today? Right? 17 MR. KORN: I think we said we would 18 submit additional supplemental proposed findings of 19 fact and conclusions of law by 5 p.m. tomorrow. 20 COMMISSIONER OMMEN: Oh. Well, then you 21 can go to the fair today. Just get up early and 22 file those by tomorrow. 23 I don't have any expectation in regards 24 to what those might look like. Again, I think that 25 the prehearing briefs really set out the matters	Page 343 1 very well. 2 But, if there are additional issues that 3 you think were raised or you would like to 4 supplement your closing argument and you'd prefer to 5 spend your night at a keyboard and not at the fair, 6 I certainly would appreciate any additional guidance 7 that you are able to offer. 8 So I want to thank you again. 9 With that, is there anything further from 10 the Division? 11 MR. KOSNOFF: None from us. 12 COMMISSIONER OMMEN: Anything further 13 from Transamerica? 14 MR. KORN: Nothing from us. Thank you 15 again. 16 COMMISSIONER OMMEN: Anything further 17 from SCOR? 18 MR. SCHWAB: You just scared me, 19 Commissioner. You just said "additional guidance." 20 Is that due by 5 p.m. tomorrow along with the 21 supplemental findings and conclusions? 22 COMMISSIONER OMMEN: Yeah, if there are 23 supplemental findings -- again, what we've received 24 already, I think, are instructive. But, yes, if you 25 wish to provide additional findings of fact and
Page 344 1 conclusions of law or to supplement what you've 2 already provided, we will receive those as well. 3 MR. SCHWAB: Thank you. 4 MR. KORN: Actually, I would like some 5 clarification. 6 Are you looking for additional briefing? 7 Or are you just looking for the additional 8 supplemental proposed findings of fact and 9 conclusions of law. Since we were planning on the 10 latter. As opposed to burying you with yet more 11 argument. 12 COMMISSIONER OMMEN: Yeah, I'm not 13 expecting anything in additional briefing -- 14 MR. KORN: Thank you. 15 COMMISSIONER OMMEN: -- but if you have 16 something that came up today that you want to 17 reemphasize or articulate, I will accept it. 18 But, yes, supplemental findings of facts 19 and conclusions of law based upon the evidence as 20 presented is what we discussed. 21 MR. KORN: Okay. I think my team will 22 thank you for that clarification. 23 COMMISSIONER OMMEN: Anything with 24 regards to American General? 25 MR. CHAKRABORTY: No, sir.	Page 345 1 COMMISSIONER OMMEN: Again, thank you 2 very much. And, with that, we will go off the 3 record. 4 (Hearing concluded at 4:14 p.m., 5 August 20, 2026.) 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

C E R T I F I C A T E

I, the undersigned, a Certified Shorthand
Reporter of the State of Iowa, do hereby certify that
I acted as the official court reporter at the
proceedings in the above-entitled matter at the time
and place indicated; that I took in shorthand all of
the proceedings had at the said time and place and
that said shorthand notes were reduced to typewriting
under my direction and supervision, and that the
foregoing typewritten pages are a full and complete
transcript of the shorthand notes so taken.

Dated this 23rd day of August, 2026.

Melissa A. Burns

/s/ Melissa A. Burns
CERTIFIED SHORTHAND REPORTER
Melissa A. Burns, Iowa CSR #527