

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of application of)	
SAMMONS ENTERPRISES, INC.)	
and GPFT HOLDCO, LLC)	FINDINGS OF FACT,
for approval of a plan to acquire)	CONCLUSIONS OF LAW,
control of)	AND ORDER
EQUITRUST LIFE INSURANCE)	(Iowa of Code chapter 521A)
COMPANY)	

I. INTRODUCTION

Sammons Enterprises, Inc. (“SEI”), a Delaware corporation, and GPFT HOLDCO, LLC (“GPFT”), a Delaware corporation, (collectively referred to as “Applicant”) wish to acquire control of EquiTrust Life Insurance Company (“EquiTrust”). GPFT is an indirect subsidiary of Guggenheim Capital (“Guggenheim”). SEI holds its ownership interest in Guggenheim as an investment and while it will be a controlling person of EquiTrust, it is not directing the acquisition of EquiTrust and is not expected to be directly involved in the operation and management of EquiTrust after the acquisition by GPFT and its affiliate companies.

EquiTrust is an Iowa domestic stock life insurance company and is a wholly owned, direct subsidiary of FBL Financial Group, Inc. (“FBL”). Applicant wishes to acquire control of EquiTrust, and has filed an application with the Iowa Insurance Commissioner (“Commissioner”) for permission to do so.

Pursuant to Iowa Code section 521A.3(4)(b) (2011), and at the Applicant’s request, a public hearing was held Thursday, November 17, 2011 at the Iowa Insurance Division (“Division”) for the purpose of determining whether Applicant’s proposed acquisition of control of EquiTrust complies with the statutory requirements set forth in Iowa Code section 521A.3(4)(a) (2011).

II. JURISDICTION

The Commissioner has jurisdiction over this matter under Iowa Code section 521A.3 (2011).

III. EVIDENCE PRESENTED

In support of the application, Applicant submitted a "Statement Regarding the Acquisition of Control of a Domestic Insurer" with attached exhibits ("Form A") containing detail relating to Applicant's operations. Applicant also submitted the testimony of Jeffrey Lange, Senior Managing Director of Guggenheim, James Purvis, Chief Operating Officer of Guggenheim, Daniel Towriss, Chief Risk Officer of Guggenheim Insurance Services, and Mark Walter, Chief Executive of Guggenheim Partners. Additionally, James P. Brannen, Chief Financial Officer of FBL testified at the hearing. All testified to the purpose and in support of the proposed acquisition.

At the close of the hearing, the Commissioner granted the Applicant's request to hold the record open for the submission of biographical information subject to review by the Division. The hearing was adjourned and the administrative record was held open for this limited purpose. The administrative record formally closed upon receipt of the biographical information, which was filed November 18, 2011.

All evidence was admitted without objection and is part of the record considered by the Commissioner in issuing the following findings, conclusions, and order.

No one appeared at the hearing to oppose Applicant's request or otherwise offer evidence or contradict or question Applicant's submission of evidence.

IV. FINDINGS OF FACT

The statutory requirements Applicant's acquisition plan must meet are relatively straightforward. Iowa Code section 521A.3(4)(a) (2011) requires a showing by Applicant that the facts and circumstances supporting its application for acquisition of control of Insurer meet five standards.

Briefly, these standards relate to (1) Applicant's post-acquisition ability to retain an Iowa license and continue writing existing lines of insurance, (2) the effect of acquisition on insurance competition in Iowa, (3) the effect of Applicant's financial condition on EquiTrust and its policyholders, (4) the effect of Applicant's anticipated changes to EquiTrust's operations on EquiTrust's policyholders and the public interest, and (5) the effect those persons that Applicant chooses to lead EquiTrust in the future will have on the interests of EquiTrust's policyholders and the public. Each requirement is discussed in greater detail below.

If Applicant establishes that its application for acquisition of control meets these requirements, section 521A.3(4)(a) (2011) requires the Commissioner to approve the application.

Applying these standards to the evidence presented by the record, when viewed as a whole, the Commissioner finds the following facts:

1. After a change of control, EquiTrust will be able to satisfy Iowa licensure requirements and thus continue writing the line or lines of insurance for which it is presently licensed.

Iowa Code section 521A.3(4)(a)(1) (2011) requires an applicant to demonstrate to the Commissioner that, after a change of control, the acquired domestic insurer will be able to satisfy the requirements for issuing a license to write the line or lines of insurance for which it is presently licensed.

EquiTrust is a licensee in good standing with the Division. Mr. Lange testified that, after the acquisition, EquiTrust will continue to meet all licensure requirements within the State of Iowa. (*Trans.* at 22). Applicant will satisfy the capital requirements for licensure, while intending to operate the company with a risk-based capital approximately no lower than that currently maintained by EquiTrust. (*Trans.* at 22).

Through GPFT, EquiTrust will provide Guggenheim with the strategic and complementary addition of product lines in the general account retirement accumulation market. (*Trans.* at 19). EquiTrust will offer well-known and significant non-redundant distribution capabilities. (*Id.*). Finally, EquiTrust offers a unique retail platform for future growth for new product offerings which focus on the retirement market which optimizes after-tax, after-inflation, lifetime income for Guggenheim customers. (*Id.*).

The Commissioner finds that Applicant's ability to satisfy Iowa licensure requirements and its ability to continue writing existing lines of insurance for which it is presently licensed will be unimpaired after a change of control.

2. Applicant's acquisition of control of EquiTrust will not substantially lessen insurance industry competition within Iowa.

Iowa Code section 521A.3(4)(a)(2) (2011) requires an applicant to demonstrate to the Commissioner that the effect of acquiring control will not substantially lessen competition in insurance in Iowa.

Mr. Lange affirmed, as part of his testimony that the proposed transaction will not cause any degree of concentration of competition within the overall insurance market. (*Trans.* at 23). In the five-year plan submitted by Applicant, the gross direct premium considerations are less than approximately one percent of the total general account annuity market projected for 2012. (*Trans.* at 23-24). Following the transaction, EquiTrust is projected to maintain its current market share of approximately one percent. (*Trans.* at 24). The one percent is the largest of the market share for EquiTrust and that amount should not create an adverse market impact. (*Id.*).

Mr. Lange also testified that all of the SEI controlled companies have approximately four percent of the general account annuity market. (*Trans.* at 31). Post acquisition, market share of the SEI controlled companies will rise to five percent and should not represent a material impact in the market. (*Id.*).

The Commissioner finds that Applicant's acquisition of control of EquiTrust will not substantially lessen competition in insurance in Iowa.

3. Applicant's financial condition will not jeopardize the financial stability of EquiTrust, or prejudice the interests of its policyholders.

Iowa Code section 521A.3(4)(a)(3) (2011) requires an applicant to demonstrate to the Commissioner that the applicant's financial condition will not jeopardize the financial stability of the acquired domestic insurer, or prejudice the interest of its policyholders.

Under the terms of the acquisition, GPFT, a Guggenheim controlled affiliate and holding company has agreed to acquire 100 percent of the EquiTrust shares from FBL for \$440 million. (*Trans.* at 13-14). This is an all-cash purchase. (*Trans.* at 15). There is no financing condition to the transaction. (*Id.*). GPFT has approximately \$312 million in equity and \$6.6 billion in assets. (*Trans.* at 25). In accordance with the stock purchase agreement, GPFT designated Acorn Holdco to acquire between 80 percent and 100 percent of the shares and Guggenheim Life and Annuity Company to acquire any shares not purchased by Acorn Holdco. (*Trans.* at 13-14). In addition to the base purchase price, the parties have agreed to a purchase price adjustment at closing which provides FBL the benefits of income from operations largely measured on a statutory basis from March 31, 2011, to the date of closing. (*Trans.* at 14).

Acorn Holdco is the proposed holding company for EquiTrust and will be its immediate parent upon closing of the transaction. (*Trans.* at 14).

Acorn Holdco is entirely owned and controlled by Acorn Holdco Parent, LLC (“Acorn Parent”), which is in turn wholly owned by Acorn Holdco Parent II, LLC, another controlled and consolidated Guggenheim affiliate. (*Trans.* at 14-15). Acorn Parent is under the sole control of its manager, Acorn Manager, and that is a 100 percent owned and controlled Guggenheim affiliate. (*Trans.* at 15). The ultimate operational and voting control of EquiTrust will be vested in the manager of Acorn Parent. (*Id.*).

There are no plans for extraordinary dividends, changes in control, mergers, consolidations, or liquidations or other extraordinary events that would adversely impact policyholders. (*Trans.* at 25-26).

Mr. Purvis testified that he does not anticipate EquiTrust policyholders seeing any change in how their policies are serviced. (*Trans.* at 37). Post acquisition, Applicant will retain the infrastructure that supports how policies are serviced. (*Id.*).

There being no evidence of adverse financial impact on EquiTrust, the Commissioner also finds that the interests of EquiTrust’s policyholders will not be prejudiced by Applicant’s financial condition.

4. Applicant’s proposed post-acquisition changes in EquiTrust’s business, corporate structure, and management are not unfair or unreasonable to EquiTrust’s policyholders and are not contrary to the public interest.

Iowa Code section 521A.3(4)(a)(4) (2011) requires an applicant to demonstrate to the Commissioner that the applicant’s plans or proposals for material changes to the acquired domestic insurer’s business, corporate structure or management are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

Mr. Lange testified that following the acquisition, the Applicant does not have any plans that would constitute a material change in EquiTrust’s business structure or management other than the appointment of new executive officers and directors. (*Trans.* at 25). The primary aspects of EquiTrust’s core operations will see no immediate impact from the change in ownership. (*Id.* at 38). Mr. Purvis testified that he does not anticipate EquiTrust policyholders seeing any change in how their policies are serviced. (*Trans.* at 37). Post acquisition, Applicant will retain the infrastructure that supports how policies are serviced. (*Id.*).

Mr. Lange testified that Guggenheim will make offers of employment to about 90 current FBL employees performing the duties currently performed to run EquiTrust. (*Trans.* at 16). The employment offers will be at a base salary level no less than those currently in effect and with benefits comparable to those offered by Guggenheim. (*Id.*).

The Commissioner finds that Applicant's proposed post-acquisition changes in EquiTrust's business, corporate structure, and management are not contrary to the public interest.

5. The competence, experience, and integrity of those individuals who will control EquiTrust after acquisition are sufficient to indicate that EquiTrust policyholder interests and the public interest will not be jeopardized by Applicant's acquisition of control of EquiTrust.

Iowa Code section 521A.3(4)(a)(5) (2011) requires an applicant to demonstrate to the Commissioner that the competence, experience, and integrity of those the applicant selects to control the acquired domestic insurer are sufficient to indicate that policyholders' and the public's interest will not be jeopardized by acquisition.

Management biographies, which are part of the record of this proceeding, confirm that the directors and executive officers of the Applicant who would control EquiTrust are seasoned and experienced individuals in the financial services industries with proven records of competence, service, and integrity.

The Commissioner finds that the competence, experience, and integrity of those individuals who will control EquiTrust after acquisition, are sufficient to indicate that the public interest will not be jeopardized by Applicant's acquisition of control of EquiTrust.

V. CONCLUSION OF LAW

The legislature has vested discretion in the Commissioner not only to hold hearings and make factual findings, but also to interpret and apply the law. Iowa Code section 521A.3(4)(a) (2011) requires the Commissioner to approve an application for acquisition of control if, after a public hearing, the applicant demonstrates all five criteria listed within that section to the Commissioner.

After a careful review of all evidence submitted, the Commissioner concludes, upon substantial evidence, that Applicant has demonstrated to the Commissioner all five requirements set forth in, and required by, section 521A.3(4)(a) (2011). Applicant's proposed acquisition of control of EquiTrust should be approved.

ORDER

IT IS THEREFORE ORDERED that:

The application of Sammons Enterprises, Inc. and GPFT HOLDCO, LLC for approval of a plan to acquire control of EquiTrust Insurance, Inc. is **APPROVED**.

This Order shall be considered final agency action for the purposes of Iowa Code chapter 17A (2011). Any action challenging the Order shall comply with the requirements of Iowa Code chapter 17A (2011).

Any application for rehearing shall comply with the requirements of Iowa Code chapter 17A (2011).

DATED this 16th day of December, 2011.



JAMES MUMFORD
First Deputy Insurance Commissioner

Copies to:

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