

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

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In the Matter of:
PROPOSED ACQUISITION OF CONTROL OF:

ANNUITY AND LIFE REASSURANCE AMERICA,
INC., a Connecticut domiciled insurance company

Docket No. EX 07-95

by

HERITAGE UNION, LLC, a Virginia limited liability
company

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ORDER

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having read the record of the above captioned matter, do hereby adopt the findings and recommendations of Kathy Belfi, Hearing Office, which are contained in the attached Proposed Final Decision dated February 8, 2008 and issue the following orders,

TO WIT:

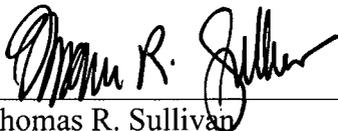
1. The Form A Application of the Applicant in which it seeks approval to acquire control of Domestic Insurers be approved.
2. The Applicant and Domestic Insurer shall comply with their commitments as set forth in the Proposed Final Decision.
3. The Applicant shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the end of the month the acquisition of control takes place.

4. Not later than 180 days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall complete a redomestication from Connecticut.
5. Until redomestication is completed, the Applicant shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, any change to the business of the Domestic Insurers; employment levels; changes in offices of the Domestic Insurers; any changes in location of its operations in Connecticut; charitable contributions made to Connecticut entities; and, notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicant and the Domestic Insurer.
6. The Applicant should provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
7. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.
8. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
9. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicant's inability to consummate the Proposed Acquisition; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicant and the Domestic Insurer.

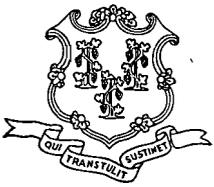
10. The Domestic Insurer shall, at all times, maintain their books, records and assets in Richmond, Virginia unless otherwise approved by the Commissioner pursuant to Connecticut Law and consistent with the terms of the Form A Application.

11. The Applicant shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 14th day of February, 2008



Thomas R. Sullivan
Commissioner



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

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In the Matter of:
PROPOSED ACQUISITION OF CONTROL OF:

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PROPOSED DECISION

I. INTRODUCTION

On September 14, 2007, Heritage Union, LLC (“Heritage Union” or the “Applicant”), filed an Application on Form A (“Application”) with the Connecticut Insurance Department (“Department”) pursuant to sections 38a-129 to 38a-140 of the Connecticut General Statutes requesting approval by the Insurance Commissioner of the State of Connecticut (“Commissioner” or “Insurance Commissioner”) for the Proposed Acquisition of Control (the “Proposed Acquisition”) of Annuity and Life Reassurance America, Inc., (“ALR” or the “Domestic Insurer”), a Connecticut domestic insurer.

Supplemental information was subsequently requested by the Department and provided by the Applicant. An Amended Form A was filed with the Department on December 19, 2007. The Amended Form A amends and restates in its entirety the original Form A text and also includes certain new and revised exhibits.

The Proposed Acquisition will be effected pursuant to the terms of a Stock Purchase Agreement dated as of August 3, 2007, and amended January 28, 2008 by and among Annuity

and Life Re (Holdings), Ltd, (“ALR Holdings”) a Bermuda corporation and parent of Annuity & Life Re America, Inc., (“ALRA”) a Delaware corporation, and the Applicant (the “Agreement”).

On January 7, 2008, Insurance Commissioner Thomas R. Sullivan (“Commissioner”) issued a notice of hearing, in which he ordered that a public hearing concerning the application for approval of the Proposed Acquisition of Control of the Domestic Insurers be held on January 31, 2008. The hearing notice was subsequently published in the *Hartford Courant* once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of State on January 8, 2008 and was published on the Department’s Internet website. In accordance with section 38a-8-48 of the Regulations of the Connecticut State Agencies, the Applicant and Domestic Insurer were designated as parties to this proceeding.

The following individuals participated in and/or testified at the public hearing on behalf of the Applicants and the Domestic Insurer:

Philip G. Walker, President and CEO of Heritage Union LLC, Robert J. Hunt, Vice President and Chief Financial Officer of Heritage Union, LLC, and Julie Roper, COO of Heritage Union LLC.

Edward J. Samorajczyk, Jr., Esq., and Nimesh J. Patel, Esq. of Robinson & Cole LLP represented the Applicant.

John Lockwood, Chief Financial Officer of Annuity and Life Reassurance America, Inc, for the Domestic Insurer.

Charles R. Welsh, Esq., of Edwards Angell Palmer & Dodge LLP represented the Domestic Insurer.

The following Department staff participated in the public hearing:

Beth Cook, Esq., Counsel, and Joan Nakano, Supervising Examiner.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments no later than the close of business on January 28, 2008, by an Order dated January 7, 2008. No public officials or members of the public signed up to speak, spoke at the hearing, or submitted written testimony.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the testimony of the witnesses, the undersigned makes the following findings of fact:

1. The Applicant is a Virginia limited liability company that was formed on January 5, 2007.
2. The Applicant is the holding company of two wholly-owned subsidiaries, Heritage Union, LLC, ("HULL") formed February 17, 2005 and Heritage Union Life Insurance Company ("HULIC"), an Arizona domiciled life insurer formed December 7, 2006.
3. The Applicant, through its subsidiaries, develops certain modified term life insurance products tailored to the income protection needs of consumers in the middle market.
4. The Applicant markets its products through direct mail and direct response channels.
5. Following the Closing of the Proposed Acquisition ("Closing") the Applicant, through the Domestic Insurer, intends to offer the products to persons who reside in states in which the Domestic Insurer holds certificates of authority.
6. The principal business address of the Applicant is 1805 Monument Avenue, Suite 201, Richmond, Virginia 23220.
7. The board of managers of the Applicant consists of:
 - Philip G. Walker
 - Frank Lortscher
 - Rick Sharp
 - John Garel
 - Michael Marks
 - David Apple
 - Seat to be filled by industry experienced independent director to be selected by other members of the board of managers.
8. The executive officers of the Applicant are:

- Philip G. Walker – President and Chief Executive Officer
 - Frank Lortscher – Executive Vice President, Secretary and Chief Marketing Officer
 - Robert J. Hunt – Vice President and Chief Financial Officer
9. The Applicant is not rated by any rating agency.
10. The principal business address of the Domestic Insurer is 124 Palisado Avenue, Windsor, Connecticut 06095.
11. The Domestic Insurer is authorized to offer life insurance in 43 states, the District of Columbia and Guam.
12. The Domestic Insurer is not actively rated .
13. As of December 31, 2006 the Domestic Insurer reported the following statutory balance sheet account (millions):

As of December 31, 2006	
Assets	\$12,326,880
Liabilities	665,325
Capital and Surplus	11,661,554
Net Income (Loss)	41,851
Direct Written Premium	5,308,867

14. The proposed acquisition of control of ALR, if approved, will be effected pursuant to a Stock Purchase Agreement, dated as of August 3, 2007 and amended as of January 28, 2008 by and among ALR Holdings, ALRA, and the Applicant (the “Agreement”).
15. The Applicant will purchase the shares for an aggregate purchase price equal to \$6,950,000 plus an amount equal to any capital and surplus on the closing date in excess of \$7.4 million required by the Insurance Department, subject to certain limits, adjustments, terms and conditions as set forth in the Agreement.
16. The Purchase price will be paid in immediately available funds.

17. The biographical affidavits of the members of the board of directors and officers of the Applicants, which include the individual's educational background, professional credentials, and employment history, are included in the record and the files of the Insurance Department.
18. Under the Agreement, the proposed Board of Directors ("Board") from and after the Closing Date ("Closing") of the Proposed Acquisition will consist of:
 - Philip G. Walker
 - Frank Lortscher
 - Julia B. Roper
 - Robert J. Hunt
19. The Domestic Insurer is not writing any new business and only has a limited amount of direct business in force that is 100% reinsured to another insurer.
20. Upon Closing, the Domestic Insurer will be a wholly owned subsidiary of the Applicant.
21. Upon Closing, the Applicant will cause the Domestic Insurer to commence writing business as described in the Plan of Operation submitted to the Insurance Department.
22. The Applicant will maintain within Connecticut such records as the Commissioner requires and such portion of its assets as the Commissioner deems necessary under Conn. Gen. Stat. §38a-57.
23. The Applicant intends to close the Domestic Insurer's Connecticut office and initially conduct the Domestic Insurer's operations from the Applicant's office in Richmond, Virginia.
24. The Applicant expects to continue to conduct the Domestic Insurer's operations in Virginia and Illinois, as identified in the operating plan.
25. Upon Closing, the statutory address for the Domestic Insurer will be c/o Robinson & Cole LLP, 280 Trumbull Street, Hartford, Connecticut 06103-3597, Attention: Edward J. Samorajczyk, Jr., Esq.

26. The Applicant has entered into discussions with the State of Arizona to redomesticate within 180 days of the date the Order is issued if the Proposed Acquisition is approved.
27. In connection with the redomestication, Heritage Union is considering merging or consolidating the Domestic Insurer with its affiliated Arizona domiciled life insurance company, HULIC.
28. Three years of statutory financial projections for the Domestic Insurers are included in the records and files of the Insurance Department.
29. Other than as disclosed, the Applicant has no present intention with respect to the Domestic Insurer to declare an extraordinary dividend or make other distributions, liquidate the domestic insurer, sell the Domestic Insurer's assets, merge or consolidate the Domestic Insurer's with any person or persons, make any other material change in the Domestic Insurer's business operations or corporate structure or management, or cause the Domestic Insurer to enter into material contracts.
30. Neither the Applicant nor any person controlling, controlled by or under common control with the Applicant or any person listed as a director or executive officer beneficially owns or has, directly or indirectly a right to acquire beneficially any voting securities of any of the Domestic Insurer or any securities convertible into or evidencing a right to acquire any such voting securities whether or not such right of conversion or acquisition is exercisable immediately or at some future time.
31. Other than the Agreement and the transactions contemplated therein, there are no contracts, arrangements, or understandings, whether oral or in writing relating, directly or indirectly, to any voting securities of the entities comprising the Domestic Insurer or any securities convertible into or evidencing a right to acquire any such voting securities whether or not such right of conversion or acquisition is exercisable immediately or at any future time involving Applicants, or any other person listed as director or executive officer.

32. There have been no purchases, directly or indirectly, of any voting securities of the entities comprising the Domestic Insurer by the Applicant, any person controlling, controlled by or under common control with the Applicant or any other person listed as directors or executive officer during the 12 calendar month preceding the filing of the amended Form A.
33. There have been no recommendations to purchase, directly or indirectly, any voting security of the entities comprising the Domestic Insurer made by the Applicant, any person controlling, controlled by or under common control with the Applicant or any person listed as director or executive officer, or by anyone based upon interviews or at the suggestion of the Applicant, any person controlling, controlled by or under common control with the Applicant or any person listed as director or executive officer during the 12 calendar months preceding the filing of the Amended Form A.
34. The Proposed Acquisition will not substantially lessen competition of insurance in the State of Connecticut or tend to create a monopoly therein.

III. DISCUSSION

Section 38a-132(b) of the Connecticut General Statutes specifically requires the approval of the proposed acquisition of control of the Domestic Insurer unless it is determined that:

- (A) After the change of control, the Domestic Insurer would not be able to satisfy the requirements for the issuance of licenses to write the lines of business for which they are presently licensed;
- (B) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut;
- (C) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders;
- (D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material

change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest;

- (E) The competence, experience and integrity of those persons who would control the operations of the Domestic Insurer are such that it would not be in the interest of the policyholders of the Domestic Insurer and of the public to permit the merger or other acquisition of control; or
- (F) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.

A. The ability of the Domestic Insurer to satisfy the requirements for the issuance of a license to write the lines of business for which they are presently licensed following the proposed acquisition of control.

The Domestic Insurer is a domestic insurance company currently licensed pursuant to section 38a-41 of the Connecticut General Statutes for life, health and reinsurance lines of business. Section 38a-72 of the Connecticut General Statutes requires that a domestic stock life and health insurance company must have a minimum of \$1 million in capital and \$2 million in paid-in surplus in the aggregate.

The Domestic Insurer currently satisfies the requirements for the issuance of a license to write the lines of business for which it is licensed.

As noted in the finding of fact, other than as disclosed in the event of its redomestication to Arizona, following consummation of the Proposed Affiliation, the Applicant has no plans or proposals to liquidate the Domestic Insurer, to sell its assets, merge or consolidate the Domestic Insurer with any other person or entity. There are no plans for the Domestic Insurer to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity.

B. Whether the effect of the merger would be to substantially lessen competition of insurance in this state or tend to create a monopoly herein.

There was no finding that the Proposed Acquisition of the Domestic Insurer by the Applicant would substantially lessen competition or create a monopoly.

C. Whether the financial condition of the Applicant is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of their policyholders.

Substantial evidence contained in the Form A application and the supplemental information submitted to the Department indicates that the financial condition of the Applicant will not jeopardize the financial condition of the Domestic Insurer following the Merger.

D. Whether the plans or proposals which the Applicant has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.

The record reveals that the Applicant has no current plans or proposals to liquidate the Domestic Insurer, to sell its assets, or consolidate or merge it with any other entity other than as disclosed in the event of its redomestication to Arizona at which time the Applicant will consider merging the Domestic Insurer into the already existing Arizona domiciled company.

The Applicant plans to have the Domestic Insurer commence writing new business pursuant to a new Plan of Operation.

Accordingly, the record supports the conclusion that there are no plans or proposals for the Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the public interest.

E. Whether the competence, experience and integrity of those persons who would control the operations of the Domestic Insurer are such that it would not be in the interest of the Policyholders of the Domestic Insurer and the public to permit the merger or other acquisition of control

The record includes the biographical affidavits of those individuals who will serve as members of the boards and as officers of the Applicants and the Domestic Insurers following the change of control. The biographical affidavits disclose each individual's educational background, professional credentials and their employment history. In addition, the Applicant has represented,

and the biographical affidavits confirm, that during the last ten years none of the proposed directors or officers of the Applicant and Domestic Insurers have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking, (or in the case of an alien person, such equivalent provision as applicable). During the last ten years, none of the proposed directors or officers of the Applicant have been subject of any proceeding under the Federal Bankruptcy Code, (or in the case of an alien person, such equivalent provision as applicable) or have been affiliated with a business or organization which has subject to such proceeding.

Furthermore, no proposed director or officer of the Applicants or the Domestic Insurers has had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals. The competence, experience, and integrity of those persons who would control the operations of the Domestic Insurer after the Proposed Acquisition is such that it would be in the interest of policyholders of the Domestic Insurers, and in the public interest, to permit the Proposed Acquisition.

F. Whether the acquisition is likely to be hazardous or prejudicial to those buying insurance.

Based on the financial strength of the Applicant, the proposed intent to initiate writing new business, as well as provision of a strong and stable financial environment for the Domestic Insurers, is not likely to be hazardous to those buying insurance.

Accordingly, assuming compliance with all Connecticut's insurance statutes and regulations, it is reasonable to conclude that the Proposed Acquisition of control of the Domestic Insurer is not likely to be hazardous to those buying insurance.

IV. RECOMMENDATION

Accordingly, based on the foregoing findings of fact and discussion, the record of the January 31, 2008 public hearing, and the recommendation of the Insurance Department staff, the undersigned concludes that the Applicants have satisfied the statutory criteria as provided in section 38a-132(b) of the Connecticut General Statutes. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to section 38a-132(b) of the Connecticut General Statutes that after the Proposed Acquisition of control (a) the Domestic Insurer will be able to satisfy the requirements for the issuance of a license; (b) the effect of the acquisition of control will not substantially lessen competition in this state or tend to create a monopoly therein; (c) the financial condition of the Applicant is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of their policyholders; (d) the plans or proposals for the Domestic Insurer, are not unfair and unreasonable to their policyholders, and are in the public interest; (e) the competence, experience and integrity of the management of the Applicant is such that it would be in the interest of policyholders of the Domestic Insurer, and of the public to permit the Proposed Acquisition of control; and (f) the acquisition of control of the Domestic Insurer is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends the following orders:

1. The Form A Application of the Applicant in which it seeks approval to acquire control of Domestic Insurers be approved.
2. The Applicant and Domestic Insurer shall comply with their commitments as set forth in the Proposed Final Decision.
3. The Applicant shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the end of the month the acquisition of control takes place.
4. Not later than 180 days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall complete a redomestication from Connecticut.

5. Until redomestication is completed, the Applicant shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, any change to the business of the Domestic Insurers; employment levels; changes in offices of the Domestic Insurers; any changes in location of its operations in Connecticut; charitable contributions made to Connecticut entities; and, notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicant and the Domestic Insurer.

6. The Applicant should provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.

8. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

9. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicant's inability to consummate the Proposed Acquisition; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicant and the Domestic Insurer.

10. The Domestic Insurer shall, at all times, maintain their books, records and assets in Richmond, Virginia unless otherwise approved by the Commissioner pursuant to Connecticut Law and consistent with the terms of the Form A Application.

11. The Applicant shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 8th day of February, 2008



Kathy Belfi
Hearing Officer