

DIRK KEMPTHORNE  
GOVERNOR



GAVIN M. GEE  
DIRECTOR

STATE OF IDAHO  
DEPARTMENT OF FINANCE  
700 W. STATE STREET, 2ND FLOOR  
P.O. BOX 83720  
BOISE, IDAHO 83720-0031  
www.finance.state.id.us

June 5, 2001

Re: Proposed Demutualization of

Dear M

We have reviewed the information provided by your firm concerning this transaction. We are of the view that this demutualization is similar in nature to the transactions found in Idaho Code 30-1435(n), and we agree to recommend no enforcement action be taken should the transaction proceed as outlined. This no action position extends to the salesman registration requirements as they relate to those persons described in your letter as Associates, Internal Sales Force (ISF), the Call Center Personnel, and the Insurance Brokers in connection with the distribution of stock to eligible policyholders related to the demutualization. This position does not, however, apply to the proposed initial public offering of stock planned in connection with the demutualization.

Please be aware that the position taken in this letter is based solely on the facts and circumstances presented in the May 25, 2001 letter, and should the facts change or be altered in a material way, our view may be different.

If you have any questions concerning this matter, please contact me at 208-332-8004.

Sincerely,

*Ax (file copy)*

Nancy C. Ax  
Securities Examiner

Banks & Savings Banks (208) 332-8005  
Credit Unions (208) 332-8003  
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PHONE: (208) 332-8000  
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EQUAL OPPORTUNITY EMPLOYER

May 25, 2001

Mr. Gavin M. Gee  
Director  
Department of Finance  
Securities Bureau  
Joe R. Williams Building  
700 West State Street, 2<sup>nd</sup> Floor  
Boise, Idaho 83720

Re: Proposed Demutualization of

Dear Mr. Gee:

We are counsel to \_\_\_\_\_, a mutual insurance company organized under the laws of the State of Indiana ("\_\_\_\_\_"), in connection with \_\_\_\_\_ proposed conversion from a mutual insurance company to a stock insurance company. This process, described in greater detail below, is referred to as the "Demutualization."

We are writing on behalf of \_\_\_\_\_ to request your confirmation that, based upon the facts and representations below, broker-dealer and/or salesman registration is not required of the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers (each as defined below) in your jurisdiction in connection with the distribution of common stock (the "Common Stock") to Eligible Statutory Members (as defined below). The Common Stock of \_\_\_\_\_ (the proposed new holding company of \_\_\_\_\_ as described below) to be distributed to Eligible Statutory Members in the Demutualization will not be registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance on the exemption under Section 3(a)(10) thereof.

In connection with the Demutualization, \_\_\_\_\_ will apply for listing of the Common Stock for trading on the New York Stock Exchange ("NYSE") and will register the Common Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). \_\_\_\_\_ also intends to conduct a registered, underwritten initial public offering of Common Stock (the "IPO"), which it expects to close concurrently with the Demutualization.

## Background

### A.

(together with its subsidiaries, "\_\_\_\_\_") is an Indiana mutual insurance company headquartered in Indianapolis, Indiana. \_\_\_\_\_ is one of the nation's largest health benefits companies, providing health care coverage or services to over seven million customers primarily in Indiana, Kentucky, Ohio, Connecticut, New Hampshire, Maine, Colorado and Nevada. \_\_\_\_\_ is an independent licensee of the Blue Cross® Blue Shield® Association (BCBSA) and offers, directly or through subsidiaries, BCBSA branded products to its customers (sometimes referred to as "members"<sup>1</sup>) in each of those states.

As a mutual insurance company, \_\_\_\_\_ has no authorized, issued or outstanding capital stock. In general, \_\_\_\_\_ policyholders and certificate holders acquire health care benefits coverage and certain membership rights ("Membership Interests") in \_\_\_\_\_ through the purchase of health care benefits. The Membership Interests consist principally of the voting rights of \_\_\_\_\_ Statutory Members as provided by law and \_\_\_\_\_ Articles of Incorporation and Bylaws, and the rights of \_\_\_\_\_ Eligible Statutory Members to receive cash, stock or other consideration in the event of \_\_\_\_\_ demutualization or dissolution. "Statutory Members" are holders of at least one policy or certificate of membership issued by \_\_\_\_\_ and who have voting and equity rights in \_\_\_\_\_.

\_\_\_\_\_ employs Internal Sales Forces (the "ISFs") each of which are designated to offer and service products within a given geographic region. The ISFs are employees of \_\_\_\_\_ and are headed by sales Vice Presidents. The ISFs also maintain, manage and oversee contractual relationships with insurance brokers (the "Insurance Brokers") who offer products to consumers.

### B. *The Proposed Demutualization*

In accordance with Title 27, Article 15 of the Indiana Code (the "Indiana Demutualization Law"), \_\_\_\_\_ proposes to convert from a mutual insurance company into a stock insurance company. The Demutualization will be effected through the following series of transactions:

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<sup>1</sup> The term "members" refers to all \_\_\_\_\_ customers, policyholders or certificate holders, including "Statutory Members" (those members with voting and equity rights in \_\_\_\_\_).

- (1) will convert to and become a stock insurance company under the Indiana Demutualization Law, and will issue all of its outstanding capital stock to (an Indiana corporation that will be formed prior to the Demutualization as a wholly-owned subsidiary of );
- (2) will distribute the Consideration (defined below) to Eligible Statutory Members (defined below) in accordance with the Plan in exchange for the extinguishing of their Membership Interests in ; and
- (3) the capital stock of owned by will be cancelled and cease to exist.

As a result of these transactions, will become the "Parent Company" of , as such is described in the Indiana Demutualization Law (Ind. Code 27-15-1-11 and 27-15-16-1).

In general, "Eligible Statutory Members" are those persons who (1) are Statutory Members of on the Adoption Date (defined below) and continue to be Statutory Members of on the date all prerequisites to the Demutualization are satisfied and the Articles Amendment (defined below) becomes effective (the "Effective Date") and (2) have had continuous health care benefits coverage with the same company ( or certain of its subsidiaries) during the period between the Adoption Date and the Effective Date without a break in coverage of more than one day.

The Demutualization is conditioned upon the occurrence of certain events, including:

- (1) the adoption, by Board of Directors (the "Board"), of resolutions proposing the Plan and the amendment of Articles of Incorporation (the "Articles Amendment"), in accordance with Ind. Code 27-15-2-1 (the date of such Board adoption being hereinafter referred to as the "Adoption Date");
- (2) the approval by the Indiana Insurance Commissioner (the "Commissioner") of Application for Approval of the Plan (including the Articles Amendment) after a public hearing, as required by Ind. Code 27-15-4-1 et seq.;
- (3) the approval of the Plan and Articles Amendment by at least two-thirds (2/3) of Statutory Members who vote at the meeting of Statutory Members as required by the Indiana Demutualization Law (the "Special Meeting") at which at least 10% of the Voting Members (as defined below) must be represented in person or by proxy, pursuant to Ind. Code 27-15-5-1 et seq.; and

- (4) the satisfaction of all other conditions set forth in the Plan (including the completion of the IPO) and the applicable conditions set forth in the Indiana Demutualization Law.

anticipates that the Board will adopt resolutions proposing the Plan and Articles Amendment on or about June 18, 2001. Once the Board has adopted the required resolutions, will submit, on or about June 22, 2001, its Application for Approval of the Plan (which will include the Plan and Articles Amendment) to the Commissioner in accordance with the Indiana Demutualization Law (Ind. Code 27-15-3-1). The Commissioner must, after determining that Application for Approval is complete, designate a date for a public hearing (the "Hearing") to receive comments and information to aid the Commissioner in considering and approving or disapproving the Application for Approval (Ind. Code 27-15-4-1). must provide prior written notice of the Hearing to its Statutory Members and other policyholders, and must publish prior notice of the Hearing (Ind. Code 27-15-4-4). members and the general public will be invited to appear and will have the right to be heard at the Hearing. Under the Indiana Demutualization Law, the Plan may not take effect unless and until, after the Hearing, the Commissioner makes the findings required for her to approve the Plan. Two of the findings the Commissioner must make in order to approve the Plan are that (1) the amount and form of consideration provided to the Eligible Statutory Members is fair in the aggregate and to each member class, and (2) the Plan and Articles Amendment are fair, reasonable and equitable to the Eligible Statutory Members (Ind. Code 27-15-4-8). In connection with her review of the Plan, the Commissioner has retained outside legal, actuarial, financial and other advisors, as authorized by Ind. Code 27-15-16-3. anticipates that the Hearing will occur in mid to late September, 2001 and that members will be notified of the Hearing in August, 2001.

In addition, the Plan and Articles Amendment must be submitted to, and may not take effect until approved by, the Statutory Members of entitled to vote thereon ("Voting Members") at a vote that will take place at the Special Meeting (the "Vote"). Under the Plan, the Voting Members will be those persons who were Statutory Members of on the Adoption Date (which is also the record date for the meeting). Each Voting Member may cast only one vote, regardless of the number of policies owned (Ind. Code 27-15-5-5) and may vote by proxy in accordance with the Indiana Demutualization Law (Ind. Code 27-15-5-6). The Plan and Articles Amendment will be approved by the Voting Members if two-thirds (2/3) of the votes cast at the Special Meeting (at which at least 10% of the Voting Members must be represented in person or by proxy) are in favor of the Plan and Articles Amendment (Ind. Code 27-15-5-7).

The Indiana Demutualization Law requires that provide each Voting Member notice of the date and place of the Special Meeting in a form and content approved by the Commissioner (Ind. Code 27-15-5-3). Among other things, the notice of the Special Meeting must be accompanied by a copy of the Plan and an information statement that will include a description of the Plan and the Consideration (defined below), voting information and instructions and other related information (the "Member Information Statement"). The

Member Information Statement will also solicit the votes of Voting Members on the adoption of the Plan and the Articles Amendment at the Special Meeting. \_\_\_\_\_ anticipates that the Member Information Statement will include information regarding \_\_\_\_\_ and the proposed Demutualization that is substantially similar to that included in the Form S-1 Registration Statement that will be filed with the Securities and Exchange Commission in connection with the IPO. \_\_\_\_\_ expects to mail the Member Information Statement to the Voting Members in mid August, 2001.

Eligible Statutory Members will receive consideration in the form of cash or Common Stock (the "Consideration"). Irrespective of the form of consideration received, the Plan provides that each Eligible Statutory Member will receive consideration equal to the value of a number of shares of Common Stock that have been allocated as a result of the Membership Interests of that Eligible Statutory Member. Under the Plan, Eligible Statutory Members that have elected to receive Common Stock will receive Common Stock. Eligible Statutory Members that did not elect to receive Common Stock will receive cash, with those Eligible Statutory Members having the smallest share allocations receiving cash first. Once the available amount of cash is exhausted, the remaining Eligible Statutory Members will receive Common Stock.<sup>2</sup>

The Demutualization has been structured to conform to a number of published and private letter rulings issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended (the "Code"), so that it will be a tax-free transaction within the meaning of Sections 351 and 368 of the Code. The Common Stock will be registered under the Exchange Act, and \_\_\_\_\_ and \_\_\_\_\_ will take steps (including listing the Common Stock for trading on the NYSE) to assure that an active public trading market for the Common Stock will develop within a reasonable amount of time after the Effective Date.

On the Effective Date, \_\_\_\_\_ will sell shares of Common Stock in the IPO. A portion of the net proceeds from the IPO will be used for cash payments made to Eligible Statutory Members under the Plan and the balance will be used for general corporate purposes, including working capital and potential acquisitions.

### C. *Informational Activities*

The Member Information Statement will be the Voting Members' primary source of information regarding the Demutualization. The Member Information Statement will inform Voting Members that they may, to the extent that they have additional questions, call a toll-free call center that \_\_\_\_\_ intends to establish as the primary contact for Statutory Members' questions concerning the Demutualization. Although \_\_\_\_\_ intends for all Statutory Member questions regarding the Demutualization to be directed to the call center, there may be situations where the other groups described below will or may also provide information related to the Demutualization on behalf of \_\_\_\_\_. These groups include (1) certain of the officers, directors and employees of \_\_\_\_\_ (collectively, the "Associates") and (2) the

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<sup>2</sup> The Plan provides for the possibility that certain situations (for example, in the case of members residing abroad) will require that some Eligible Statutory Members receive cash notwithstanding any election of Common Stock.

ISF and the Insurance Brokers. With the exception of the personnel of the call center (the "Call Center Personnel"), none of the persons in these groups will be compensated, directly or indirectly, for their efforts in connection with the activities described herein. The activities of the Call Center Personnel, the Associates, the ISFs and the Insurance Brokers will consist of the following:

*The Call Center Personnel.* Because of the large number of Statutory Members and the expected volume of questions therefrom relating to the Demutualization, [redacted] has arranged for the institution that will act as the transfer agent for the Common Stock (the "Information Agent") to provide and staff the toll-free call center. (The Information Agent will be [redacted], a "bank" as defined in Section 3(a)(6) of the Exchange Act.) The Member Information Statement will reference a toll-free telephone number that Statutory Members will be encouraged to call if they have questions. [redacted] has contracted with the Information Agent to provide the Call Center Personnel to respond to these calls. The Call Center Personnel will make no unsolicited calls to Statutory Members. The Information Agent may employ the Call Center Personnel specifically to perform the call center function; however, the compensation of the Call Center Personnel will be on a flat hourly basis that is not determined with regard to votes or elections made by Voting Members.

Call Center Personnel will be educated by [redacted] about the Demutualization, and instructed to (1) answer questions Voting Members may have in connection with the notice of the Hearing, the notice of the Special Meeting, the Member Information Statement, the mechanics of the Plan or the Special Meeting; (2) discuss the Demutualization with Voting Members; and (3) confirm, in response to appropriate inquiries from Voting Members, that the Board has approved the Plan and Articles Amendment, and that the Member Information Statement contains the recommendation of the Board that Voting Members vote to approve the Plan and Articles Amendment. [redacted] expects that the Call Center Personnel will respond to questions that do not require the specific attention of the Associates (in situations described below). [redacted] does not intend to engage the Information Agent or Call Center Personnel to actively solicit proxies from Voting Members. However, [redacted] may engage the Information Agent to mail a reminder postcard regarding the Special Meeting to Voting Members who have not yet returned a proxy card. In addition, the Call Center Personnel will be subject to the Additional Limitations (defined below).

*The Associates.* The informational activities of the Associates will consist of answering certain questions members may have about the Demutualization and discussing the conversion of [redacted] when necessary. Associates will not initiate contact with Voting Members about the Demutualization, will not contact Voting Members to ask if they received notice of the Special Meeting, will not actively seek to solicit proxies for the Special Meeting (other than by distribution of the Member Information Statement as described above), and will not handle customer funds or securities. In addition, the Associates' activities will be subject to the Additional Limitations and will be supervised.

Member questions regarding the Demutualization that are initially directed to the telephone numbers provided by \_\_\_\_\_ for customer use in the general course of business will be directed to the call center. If the call center cannot answer a question (either because it relates to a record-keeping issue or because it involves more complicated issues) the call center will transfer the call to one of the designated Associates. ("Record-keeping" questions may involve issues such as an incorrect name or address referenced in the materials mailed with the notice of the Special Meeting; "more complicated issues" may involve fact-specific questions regarding the impact of actions taken by a member on his or her eligibility to participate in the Demutualization.) \_\_\_\_\_ intends to designate certain persons to research these types of questions and provide members with answers within a target of 24 hours.

*The ISFs and the Insurance Brokers.* In spite of the fact that the ISFs and the Insurance Brokers will be instructed to refer member questions regarding the Demutualization to the call center, \_\_\_\_\_ anticipates that they may, on their own initiative or in response to members, answer members' questions related to the Member Information Statement, the Plan, the Hearing or the Vote. For informational purposes (and not in furtherance of their providing information to members), the ISFs and the Insurance Brokers will receive periodic updates and information on the status of the Demutualization, including copies of the Member Information Statement. None of the ISFs or Insurance Brokers will handle customer funds or securities. In addition, the activities of the ISFs and Insurance Brokers will be subject to the Additional Limitations and will be supervised, and the ISFs will monitor the activities of the Insurance Brokers.

The ISFs and the Insurance Brokers will be directed to limit any discussions about the Demutualization in the same manner as the Call Center Personnel and Associates.

\_\_\_\_\_ will communicate these restrictions to the ISFs and the Insurance Brokers through (1) official company publications and (2) written communications to designated management personnel for the ISFs and the Insurance Brokers. These designated management personnel will be responsible for supervising the ISFs and the Insurance Brokers' compliance with these restrictions. In addition, for informational purposes \_\_\_\_\_ will designate persons to assist the ISFs and the Insurance Brokers with inquiries related to the Demutualization, and provide special training to such persons about issues related to the Demutualization, including adherence to the above restrictions.

During the period prior to the Demutualization, including during the period when Voting Members will be asked to vote on the Plan, the ISFs and the Insurance Brokers will go about their normal activities, including soliciting prospective purchasers of health care benefits and coverage, subject to the restrictions set forth above. \_\_\_\_\_ anticipates that such solicitations may well include detailed factual responses to the concerns of existing and prospective policyholders regarding \_\_\_\_\_ financial condition, as well as discussion of the effects that the Demutualization and the IPO may have on \_\_\_\_\_

*Additional Limitations.* The Call Center Personnel, Associates, ISFs and Insurance Brokers will be specifically instructed, in writing and through other procedures to be implemented by \_\_\_\_\_ to refrain from:

- (1) using written materials other than the Member Information Statement or other materials prepared by \_\_\_\_\_ for use in connection with the Special Meeting or making any revisions to such materials;
- (2) making any statements not derived from the Member Information Statement or other materials approved by \_\_\_\_\_ for use in connection with the vote on the Demutualization;
- (3) offering advice to Voting Members regarding whether or not to express a preference to receive Common Stock rather than cash pursuant to the Plan;
- (4) advising Voting Members on how to vote on the Demutualization, other than confirming that the Board has voted to approve the Demutualization and has recommended that it be approved by the Voting Members;
- (5) discussing the potential market value of the Common Stock;
- (6) providing financial advice about, or recommending or soliciting purchases of, the Common Stock; and
- (7) discussing with Voting Members their personal plans to invest or not invest in the Common Stock.

The Information Agent will communicate these restrictions to Call Center Personnel through special training classes, in writing as part of the training materials for the Call Center Personnel and by other means.

### **Discussion**

For the reasons set forth below, we believe that registration of the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers as broker-dealers and/or salesmen is not required in your jurisdiction with respect to the foregoing activities. We believe that the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers will not fall within the definition of either a "broker-dealer" or a "salesman" as defined by the Idaho Securities Act (the "Act"), as discussed in the following two paragraphs. Even if the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers were deemed to be "broker-dealers" or "salesmen," we believe that they would be excluded from the definitions or exempted from registration as "broker-dealers" or "salesmen" pursuant to the Act, as discussed in the remainder of this section.

We believe that the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers, if they were to handle inquiries from members regarding the Plan, will not, in

any event, be "effecting transactions" for the purposes of Section 30-1402(3) of the Act or "effecting or attempting to effect purchases or sales" for the purposes of Section 30-1402(2) of the Act. The primary function of the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers will be to help members (voting and non-voting) understand the Plan and the consequences of the Demutualization, if needed. None of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers will be permitted to advise Voting Members on how to vote on the Demutualization (other than confirming that the Board has voted to approve the Demutualization and has recommended that it be approved by the Voting Members). None of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers will receive any compensation in connection with their activities related to the Vote. Although the Call Center Personnel have been employed to perform the Call Center function, their compensation does not depend upon the votes or elections made by the Voting Members. In addition, the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers will not be in a position to handle customer funds or securities. As described above, the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers will receive specific instructions from \_\_\_\_\_ as to the permissible scope and content of their activities, and will, in fact, be directed to limit any discussion about the Demutualization to statements which can be found in, or derived from, the Member Information Statement or other related approved materials. In effect, the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers will be mere conduits of public information about the Plan and the Demutualization between \_\_\_\_\_ and Voting Members for purposes of a vote of corporate reorganization, and will not be "effecting" or "attempting to effect" any transactions in, purchases of or sales of securities.

Additionally, none of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers will be "engaged in the business" of effecting transactions in securities within the meaning of Section 30-1402(3) of the Act by virtue of communicating with members. None of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers will be permitted to advise Voting Members on how to vote on the Demutualization (other than confirming that the Board has voted to approve the Demutualization and has recommended that it be approved by the Voting Members), and therefore they will not be engaging in the business of soliciting or effecting securities transactions. In addition, the phrase "engaged in the business" "connotes a certain regularity of participation in purchasing and selling activities rather than a few isolated transactions."<sup>3</sup> \_\_\_\_\_ conversion from a mutual insurance company to a stock insurance company and the activities of the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers in connection therewith are, by their very nature, one-time, nonrecurring events. As described above, the primary function of the Call Center is to answer basic questions regarding the Demutualization. Moreover, the Associates and the ISFs have not been hired for the purpose of communicating with members in connection with the Demutualization, but generally have other substantial, full-time duties at \_\_\_\_\_ unrelated to the Demutualization or the sale of securities. The Insurance Brokers also have not been hired to communicate with the Voting Members regarding the Demutualization, have been generally associated with \_\_\_\_\_ and the ISFs for many years, and each have substantial, full-time duties promoting sales of \_\_\_\_\_ products, coordinating customer claims and

<sup>3</sup> Loss, Fundamentals of Securities Regulation (1988) 604.

maintaining favorable customer relationships - activities which are not related to the sale of securities.

Third, we believe that registration of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers as salesmen is not required in your jurisdiction with respect to the foregoing activities since the Demutualization (pursuant to which \_\_\_\_\_ will be reorganized from a mutual insurance company into a stock insurance company) is similar to, and within the intent of, one of the transactions referred to in Section 30-1435(1)(n) of the Act. This section, in conjunction with Section 30-1402(2)(a)(ii) of the Act, provides that "salesman" does not include an individual who represents an issuer in effecting "any transaction incident to a right of conversion or a statutory or judicially approved reclassification, recapitalization, reorganization, quasi-reorganization, stock split, reverse stock split, merger, consolidation or sale of assets if (i) no commission or other remuneration other than a standby commission is paid or given directly or indirectly for soliciting any security holder in this state." We note that the insurance industry, and the demutualization process in particular, are highly regulated under Indiana's insurance laws. Voting Members have the opportunity to appear at a public hearing held by the Commissioner regarding the Plan, and Voting Members have the right to vote on the Plan at the Special Meeting. The Commissioner must approve the Plan, which is thereafter subject to potential judicial review. None of the Associates, the ISFs, the Call Center Personnel or the Insurance Brokers will receive any compensation in connection with their activities related to the Vote. Although the Call Center Personnel have been employed to perform the Call Center function, their compensation does not depend upon the votes or elections made by the Voting Members. \_\_\_\_\_ will become a wholly-owned subsidiary of \_\_\_\_\_, which we believe is similar to a merger or consolidation of two entities or the reclassification of \_\_\_\_\_ in consideration of the issuance of Common Stock within the intent of the transaction exempted by Section 30-1435(1)(n) of the Act.

In addition, with respect to the Call Center Personnel alone, they are employees of the Information Agent and personnel of third parties who are subcontracted by the Information Agent, which is a "bank" as defined in Section 3(a)(6) of the Exchange Act. \_\_\_\_\_ understands from the Information Agent that subcontracted personnel are supervised in the performance of their duties by the Information Agent in the same manner as employees of the Information Agent. Therefore, we believe that the Call Center Personnel would not be deemed to be a "broker-dealer" pursuant to Section 30-1402(3)(a) of the Act.

Finally, Section 306 of the Gramm-Leach-Bliley Act (15 U.S.C.A. § 6715) provides in part that "...no State may, by law, regulation, order, interpretation, or otherwise...prevent, significantly interfere with, or have the authority to review, approve, or disapprove a plan of reorganization by which an insurer proposes to reorganize from mutual form to become a stock insurer (whether as a direct or indirect subsidiary of a mutual holding company or otherwise) unless such State is the State of domicile of the insurer." If the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers were required to register as broker-dealers and/or salesmen in your jurisdiction, it would significantly interfere with the ability of \_\_\_\_\_ to provide information regarding the Plan and the Demutualization to its

members. Further, because, as a practical matter, it would not be feasible to comply with such a registration requirement, it would result in the Eligible Statutory Members located in your jurisdiction receiving only cash, and no Common Stock, as consideration for the extinguishment of their Membership Interests. Therefore, the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers should not be required to register as broker-dealers and/or salesmen in your jurisdiction because of Section 306 of the Gramm-Leach-Bliley Act.

Based on the foregoing, we request your confirmation, or your no-action position to the effect, that broker-dealer and/or salesman registration is not required of the Associates, the ISFs, the Call Center Personnel and the Insurance Brokers in your jurisdiction in connection with the distribution of Common Stock to Eligible Statutory Members if the Demutualization occurs in the manner described above.

As required by Section 30-1437(6) of the Act, we enclose a check in the amount of fifty dollars (\$50.00) for the required filing fee and two copies of this letter. For your convenience, we note your prior published order or confirmation of exemption under similar circumstances dated April 7, 1995 (Guarantee Mutual Life Company).

We respectfully request confidential treatment of this letter and any future correspondence relating to this letter. Pending approval of the proposed Plan by Board of Directors and public availability of the Plan upon filing with the Commissioner, the proposed Plan is not intended to be made public. believes that publication or release of the type of information disclosed in this letter prior to approval of the Plan by the Board and the public filing of the Plan with the Commissioner would, among other things, have an adverse effect on the insurance regulatory process and would be detrimental to the business of

Because of the importance of the Demutualization to , we would appreciate hearing from you at your earliest convenience within 30 days of your receipt of this letter.

Kindly acknowledge receipt of this letter by stamping the enclosed copy of this letter with your usual form of receipt acknowledgment and returning it in the enclosed postage-

Mr. Gavin M. Gee

-12-

May 25, 2001

paid envelope. If you have any questions, please call me at  
of this office at or

or, in my absence,  
of this office at