
Allstate to sell Lincoln Benefit Life, exit fixed annuity business

By Editor Test Thu, Jul 18, 2013

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A late-breaking release from Allstate read as follows:

The Allstate Corporation today announced a definitive agreement to sell its Lincoln Benefit Life Company to Resolution Life Holdings, Inc. for \$600 million, thereby exiting the consumer segment served by independent life insurance and annuity agencies and reducing required capital in Allstate Financial by approximately \$1 billion.

Allstate Financial will discontinue issuing fixed annuities at year-end 2013 and utilize third party annuity companies to ensure Allstate agencies and exclusive financial specialists continue offering a broad suite of protection and retirement products.

"This divestiture is one of many actions we have taken to strategically focus Allstate Financial and deploy capital to earn attractive risk-adjusted returns. This action also advances Allstate's key priorities, including reducing exposure to spread-based business and interest rates," said Thomas J. Wilson, chairman, president and chief executive officer of The Allstate Corporation.

Transaction details

Allstate has entered into a definitive agreement to sell LBL to Resolution Life for \$600 million, generating cash proceeds, inclusive of tax benefits, of approximately \$785 million. The transaction is expected to close by the end of the year, subject to customary regulatory approvals. The sale of LBL is estimated to result in a GAAP loss on sale in the range of \$475 million to \$525 million, after-tax, and a reduction in GAAP equity, including the impact to unrealized capital gains and losses, in the range of \$575 million to \$675 million. This transaction will result in a statutory gain of \$350 million to \$400 million, increase Allstate's deployable capital by approximately \$1 billion and reduce Allstate life and annuity reserves by \$13 billion.

The business being sold had \$341 million of premiums and contract charges, representing 15% of Allstate Financial's 2012 total. Normal after-tax returns have averaged approximately 1% of transaction reserves.

As a result of this transaction, Allstate will not sell new life or retirement products through independent life insurance and annuity agencies. Allstate will continue to service in-force LBL business sold through independent life insurance and annuity agencies for a 12- to 18-month transition period, after which this business will be administered by Resolution Life.

Allstate Financial Annuity Strategy

Consistent with Allstate's strategy to reduce its exposure to spread-based business, Allstate Financial will cease issuing fixed annuities at year-end 2013. Allstate agencies and exclusive financial specialists will serve their customers by continuing to offer a broad suite of life, retirement, savings, long-term care and

disability products that are either issued by Allstate or provided by other companies.

“Allstate is committed to making the changes necessary to strengthen and grow the Allstate Financial business by focusing on life insurance sold through Allstate agencies and the worksite benefits market, where our competitive advantages generate profitable growth,” said Don Civgin, president and chief executive officer of Allstate Financial.

Lincoln Benefit Life

Based in Lincoln, Neb., LBL was founded in 1938 and acquired by Allstate in 1984. Lincoln Benefit Life products are sold through independent agents by means of master brokerage agencies, independent agents, and Allstate exclusive agencies in all states except New York, the District of Columbia, Guam and the U.S. Virgin Islands.

Resolution Life

Resolution Life Holdings, Inc. is a Delaware corporation established by British financial services investor, The Resolution Group. Its strategy is to acquire a number of life insurance businesses in the United States and focus on the needs of existing customers over the long run, rather than actively seeking new sales. Resolution Life is separate from Resolution Limited, a company publicly traded on the London Stock Exchange, which also was founded by The Resolution Group.