
American Financial sells LTCI book to focus on FIAs

By Editorial Staff *Wed, Dec 30, 2015*

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American Financial Group, Inc., has completed its sale of United Teacher Associates Insurance Company and Continental General Insurance Company, which contain almost all of its run-off long-term care insurance business, to HC2 Holdings, Inc.

The deal “allows us to provide continued focus on our [fixed and fixed-indexed] annuity business,” said Craig Lindner, AFG’s co-CEO. “The sale is expected to create between \$110 and \$115 million of excess capital for AFG by mid-2016 (due to the timing of tax benefits to be received), in addition to the \$700 million of excess capital reported at September 30, 2015.”

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To obtain regulatory approval for the transaction, AFG agreed to provide up to \$35 million of capital support for the insurance companies, on an as-needed basis to maintain specified surplus levels, subject to immediate reimbursement by HC2; this agreement expires five years after closing. In exchange for this agreement, AFG received warrants to purchase two million shares of HC2 common stock.

In the first quarter of 2015, AFG recorded an after-tax non-core loss of \$105 million in connection with this transaction; an additional after-tax non-core loss of up to \$10 million may be recorded after closing, reflecting updated valuations of expected proceeds to be received and net assets disposed.

Due to a significant tax benefit from the sale, AFG expects to receive total after-tax proceeds of \$110 to \$115 million from the transaction (including the tax benefit but before any potential future proceeds).

With the completion of this sale, AFG will retain only a small block of 1,700 policies totaling approximately \$33 million of reserves.

Philip Falcone, HC2's chairman, president and CEO, said in a release, "We believe this acquisition provides a strong base on which to grow our insurance vertical and also offers further diversification for HC2."

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