
MetLife To Acquire ALICO for \$15.5 Million

By Editor Test *Wed, Mar 10, 2010*

When the deal goes through, AIG is expected pay about \$31.5 billion to the Federal Reserve Bank of New York, cutting its debt to the New York Fed to about \$45 billion.

MetLife Inc. plans to complete its rumored acquisition of American Life Insurance Company (ALICO) from American International Group Inc. (AIG) for about \$15.5 billion in cash and shares, the *New York Times* reported.

Founded in 1921, ALICO sells accident and health insurance, life insurance and fixed annuities to about 20 million clients in 55 countries. It has 12,500 employees and 60,000 agents, brokers, banks and other intermediaries in its distribution networks.

The acquisition would give New York-based MetLife a significant presence in Japan, Europe and South America, and number-one positions in the life markets in Russia and Chile, in terms of premiums written, MetLife said.

The boards of both MetLife and AIG have approved the transaction, and the companies hope to close by the end of the year. The deal should result in few layoffs, because ALICO has little overlap with MetLife's operations, MetLife executives report.

In a conference call with analysts, MetLife CFO Bill Wheeler said AIG would own 8% of MetLife as a result of the deal. Its stake could potentially rise to 14% in 2011, if it converts the preferred shares it received from MetLife to common shares. AIG will not have a representative on MetLife's board, a MetLife spokesperson said, and AIG must vote its shares in the same proportion as other MetLife common shareholders vote their shares.

The MetLife-ALICO deal is the second proposed sale of a key subsidiary of AIG that AIG has announced in little more than a week. AIG announced March 1 that had agreed to sell AIA Group Ltd., an international life unit, to Prudential plc, London, for about \$35 billion.

If all goes as planned, AIG will generate a total of about \$51 billion in deal volume, including \$31.5 billion in cash and \$19.2 billion in securities. AIG would pay the \$31.5 billion to the Federal Reserve Bank of New York, cutting what it owes to the New York Fed to about \$45 billion.

The special purpose vehicle formed by AIG and the New York Fed to hold AIG's interests in ALICO would hold more than 78 million shares of MetLife common stock, about 6.9 million shares of MetLife preferred stock that could be converted into about 68 million shares of common stock, and 40 million equity units of MetLife with a liquidation preference of \$3 billion, according to AIG and MetLife.