Internal Revenue Service

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Department of the Treasury
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Person To Contact:
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PLR-139759-09

Date:
August 17, 2010

In Re:

Foreign Parent =

US Parent 1 =

Sub 1 =

Lifeco 1 =

US Parent 2 =

Sub 2 =

Lifeco 2 =

Lifeco 3 =

Date 1 =

Year 1 =

Dear :

This letter replies to your letter dated September 1, 2009, requesting a supplemental ruling to PLR 200906006, October 17, 2008 (the "Prior Letter Ruling"), on two issues regarding the "life-nonlife" consolidated return provisions of § 1.1502-47(d) of the Income Tax Regulations. The following information is provided in that letter and in subsequent correspondence. Capitalized terms not defined in this letter have the meanings originally assigned to them in the Prior Letter Ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of its request for rulings, it is subject to verification on examination.

The Prior Letter Ruling addresses certain federal income tax consequences of then-proposed transactions under provisions of the consolidated tax return regulations. Except as modified below, the representations and material facts set forth in the Prior Letter Ruling remain in effect for purposes of this supplemental letter ruling.

Supplemental Facts

The proposed transactions described in the Prior Letter Ruling occurred on Date 1. Before Date 1, Foreign Parent directly or indirectly owned US Parent 1 and US Parent 2, each a common parent of a United States consolidated group (the "US Parent 1 Group" and the "US Parent 2 Group"). On Date 1, the US Parent 1 Group combined with the US Parent 2 Group to form a single consolidated group under US Parent 2 through the following transactions (the "Combination Transactions"):

(i) US Parent 1 merged with and into US Parent 2 in a statutory merger, with US Parent 2 surviving (the "US Parent Merger"). The taxpayer represented that the US Parent Merger constituted a "reverse acquisition" within the meaning of § 1.1502-75(d)(3) of the Income Tax Regulations.

(ii) Sub 2 merged with and into Sub 1 in a statutory merger, with Sub 1 surviving.

(iii) Lifeco 2 and Lifeco 3 merged simultaneously with Lifeco 1 in statutory mergers, with Lifeco 1 surviving (the "Life Company Mergers").

After the Combination Transactions, US Parent 2 is the common parent of a consolidated group including Sub 1 and Lifeco 1.

Since the issuance of the Prior Ruling Letter, the United States' financial markets have undergone a period of volatility. Foreign Parent and its subsidiaries are concerned about how this market volatility might affect the insurance reserves, assets, and premiums of Lifeco 1's

business after the Life Company Mergers and whether it might cause the Life Company Mergers to constitute a "disproportionate asset acquisition" of Lifeco 1 (within the meaning of § 1.1502-47(d)(12)(viii)) within any base period that includes the Life Company Mergers, notwithstanding that the Life Company Mergers would not constitute a disproportionate asset acquisition if such determination were made immediately after the Life Company Mergers. If Lifeco 1 underwent a disproportionate asset acquisition, Lifeco 1 would be excluded from US Parent 2's life-nonlife consolidated group.

Representations

The taxpayer has submitted the following representations in connection with the proposed transaction:

(a) Lifeco 1 has had no "special acquisitions" as defined in Treas. Reg. § 1.1502-47(d)(12)(viii) during the five taxable years ending with the taxable year of the Life Company Mergers, other than the acquisitions pursuant to the Life Company Mergers.

(b) Immediately after the Life Company Mergers, less than 75 percent of the insurance reserves (within the meaning of Treas. Reg. § 1.1502-47(d)(12)(viii)(A)) of Lifeco 1 and less than 75 percent of the assets (within the meaning of Treas. Reg. § 1.1502-47(d)(12)(viii)(B)) of Lifeco 1 were attributable to the transfer of the assets and liabilities of Lifeco 2 and Lifeco 3 to Lifeco 1 as part of the Life Company Mergers.

(c) Lifeco 1 anticipates that, in the taxable year following Year 1, the premiums (for purposes of § 1.1502-47(d)(12)(viii)(C)) generated during that taxable year that are attributable to the businesses acquired from Lifeco 2 and Lifeco 3 in the Life Company Mergers will constitute less than 75 percent of the premiums of Lifeco 1.

(d) Lifeco 1 has no plan or intention to undertake any other "special acquisitions" (within the meaning of § 1.1502-47(d)(12)(viii)) in the foreseeable future.

(e) To the extent that reinsurance transactions have been entered into by Lifeco 1 with a person owned or controlled directly or indirectly by the same interests (within the meaning of § 482), as Lifeco 1, the terms of such transactions have satisfied the "arms-length" standard of § 482. To the extent that any reinsurance transactions are entered into by Lifeco 1 with a person owned directly or indirectly by the same interests (within the meaning of § 482) as Lifeco 1 in the future, the terms of such transaction will satisfy the "arms-length" standard of § 482.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. The transfer of the assets and liabilities of Lifeco 2 and Lifeco 3 to Lifeco 1 in the Life Company Mergers will not constitute a disproportionate asset acquisition within the meaning of § 1.1504-47(d)(12)(viii) for any base period (as defined in § 1.1502-47(d)(12)(ii)) that includes the Life Company Mergers.

2. For purposes of applying § 1.1502-47(d)(12)(viii)(C) to Lifeco 1 on account of the Life Company Mergers, the premiums that Lifeco 1 must take into account will not be reduced by any arms-length premiums that Lifeco 1 pays to a reinsurer as the initial consideration for the reinsurer entering into an indemnity reinsurance transaction with Lifeco 1.

Caveats

We express no opinion on whether, if Lifeco 1 undergoes another special acquisition (within the meaning of § 1.1502-47(d)(12)(viii)) within any base period that includes the Life Company Mergers, the Life Company Mergers in combination with such subsequent special acquisition will constitute a disproportionate asset acquisition within the meaning of § 1.1504-47(d)(12)(viii). We also express no opinion concerning the federal tax consequences of the proposed transactions under any other provision of the Code or regulations, or concerning any conditions existing at the time of, or effects resulting from, the proposed transactions that are not specifically covered by the above rulings.

This letter ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Each taxpayer involved in the transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transaction covered by this letter is completed. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Pursuant to a power of attorney on file with this office, a copy of this letter will be sent to your authorized representative.

Sincerely yours,

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Lisa A. Fuller
Senior Counsel, Branch 1