

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1999-12-02** | Period of Report: **1999-11-23**  
SEC Accession No. [0001017062-99-002049](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

**CENTRIS GROUP INC**

CIK: **798085** | IRS No.: **330097221** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **001-12099** | Film No.: **99767991**  
SIC: **6351** Surety insurance

Mailing Address

650 TOWN CENTER DRIVE  
STE 1600  
COSTA MESA CA 92626-1925

Business Address

650 TOWN CENTER DR STE  
1600  
COSTA MESA CA 92626  
7145491600

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report November 23, 1999  
(Date of earliest event reported)

THE CENTRIS GROUP, INC.  
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-120996 (Commission File Number)	33-0097221 (I.R.S. Employer Identification No.)
---	--	---

650 Town Center Drive, Suite 1600 Costa Mesa, CA (Address of principal executive offices)	92626 (Zip Code)
---	---------------------

Registrant's telephone number, including area code: 714/549- 1600

N/A  
(Former name or former address, if changed since last report)

Item 5. Other Events.

On December 31, 1998, The Centris Group, Inc. ("Centris") acquired a group of companies from Eureka, B.V. of the Netherlands (the "Seller"). Among these acquired companies was Seaboard Life Insurance Company (USA), whose name was subsequently changed to Centris Life Insurance Company ("CLIC"). As a part of this acquisition transaction, the Seller separately negotiated a reinsurance agreement with Life Reassurance Corporation of America ("Life Re"), covering the Seaboard Life Individual Life and Annuity business, which reinsurance agreement provided that such business was to be retroactively reinsured by Life Re on a 100% indemnity basis effective as of July 1, 1998. In its financial statements, Centris classified the assets relating to this reinsurance agreement as "assets

held for transfer," and classified the liabilities relating to this reinsurance agreement as "pending transferable reinsurance." Under the acquisition agreement between Centris and the Seller, any income earned or loss incurred from this Individual Life and Annuity business line is credited to or charged to such reinsurer.

On October 22, 1999, CLIC and Life Re consummated the reinsurance transaction, after having received the necessary approvals of the Insurance Departments of Indiana and California. The terms of this closure include a requirement for a final accounting to be prepared prior to March 31, 2000. Pertinent financial aspects of this transaction will be reflected in the records of CLIC during the fourth quarter of 1999, upon receipt of all required financial information by CLIC. The completion of the reinsurance transaction will not have a material effect on the consolidated balance sheets of the Company.

(c) Exhibits

Set forth below is a list of exhibits included as part of this Current Report on Form 8-K:

Exhibit Number	Description of Exhibit
10.01	INDEMNITY REINSURANCE AGREEMENT entered into on December 29, 1998, by and between Seaboard Life Insurance Company (USA), an Indiana insurance company, and Life Reassurance Corporation of America, a Connecticut corporation
10.02	PURCHASE AGREEMENT entered into on December 29, 1998, by and among Life Reassurance Corporation of America, a Connecticut corporation, Eureka B.V., a company organized under the laws of the Netherlands and Seaboard Life Insurance Company (USA), an Indiana insurance corporation.
10.03	ADMINISTRATIVE SERVICES AGREEMENT entered into as of December 29, 1998, by and among Seaboard Life Insurance Company, a Canadian federal insurance company ("SLIC-Canada"), Seaboard Life Insurance Company (USA), an Indiana insurance company and a direct wholly owned Subsidiary of SLIC-Canada (the "Seller"), and Life Reassurance Corporation of America, a Connecticut insurance company ("the Administrator").

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The

Centris Group, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CENTRIS GROUP, INC.

Date: November 23, 1999

By: /S/Charles M. Caporale

-----  
Charles M. Caporale  
Senior Vice President, Chief  
Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
-----	-----
10.01	INDEMNITY REINSURANCE AGREEMENT entered into on December 29, 1998, by and between Seaboard Life Insurance Company (USA), an Indiana insurance company, and Life Reassurance Corporation of America, a Connecticut corporation
10.02	PURCHASE AGREEMENT entered into on December 29, 1998, by and among Life Reassurance Corporation of America, a Connecticut corporation, Eureka B.V., a company organized under the laws of the Netherlands and Seaboard Life Insurance Company (USA), an Indiana insurance corporation.
10.03	ADMINISTRATIVE SERVICES AGREEMENT entered into as of December 29, 1998, by and among Seaboard Life Insurance Company, a Canadian federal insurance company ("SLIC-Canada"), Seaboard Life Insurance Company (USA), an Indiana insurance company and a direct wholly owned Subsidiary of SLIC-Canada (the "Seller"), and Life Reassurance Corporation of America, a Connecticut insurance company ("the Administrator").

## INDEMNITY REINSURANCE AGREEMENT

THIS INDEMNITY REINSURANCE AGREEMENT (this "Agreement"), is made and entered into on December 29, 1998, by and between Seaboard Life Insurance Company (USA), an Indiana insurance company (the "Company"), and Life Reassurance Corporation of America, a Connecticut corporation (the "Reinsurer").

## RECITALS:

WHEREAS, the Company and the Reinsurer are concurrently herewith entering into a Purchase Agreement (the "Purchase Agreement"), which agreement calls for, among other things, the reinsurance transactions described in this Agreement;

WHEREAS, upon the terms and conditions set forth herein, the Company desires to cede, on a coinsurance basis, to the Reinsurer the Company's rights, liabilities, and obligations in respect of certain life insurance and annuity products; and

WHEREAS, upon the terms and conditions set forth herein, the Reinsurer desires to reinsure on a coinsurance basis all of the rights, liabilities, and obligations in respect of the Company's products referred to above;

NOW, THEREFORE, in consideration of the mutual covenants and promises, and upon the terms and conditions, hereinafter set forth, the parties hereto agree as follows:

## ARTICLE I

DEFINITIONS  
-----

Unless otherwise defined herein, capitalized terms used herein shall have the following meanings:

"Business Day" shall mean any day other than a Saturday, Sunday or a day on  
-----  
which banking institutions in Indiana are permitted or obligated by Law to be closed.

"Closing Date" shall have the meaning set forth in the Purchase Agreement.  
-----

"Company Extra Contractual Obligations" shall mean Extra Contractual

-----  
Obligations based on acts, errors or omissions by the Company or any of its officers, employees, agents or representatives, and any attorneys' fees incurred by the Company related thereto.

"Effective Date" shall mean July 1, 1998.

-----  
"Effective Time" shall mean 12:01 a.m. Eastern Daylight Time on the  
-----  
Effective Date.

"Extra Contractual Obligations" shall mean all liabilities and obligations  
-----  
for consequential, extra-contractual, exemplary, punitive, special or similar damages (other than those arising under the express terms and conditions of the Policies) which arise from any act, error or omission, whether or not intentional, in bad faith or otherwise, including, without limitation, any act, error or omission relating to (i) the marketing, underwriting, production, issuance, cancellation or administration of the Policies, (ii) the investigation, defense, trial, settlement or handling of claims, benefits, or payments under the Policies, or (iii) the failure to pay or the delay in payment of benefits, claims or any other amounts due or alleged to be due under or in connection with the Policies.

"Final Closing Balance Sheet" shall have the meaning set forth in Section  
-----  
6.01.

"General Account" shall mean the general account of the Company relating to  
-----  
the Policies.

"Investment Assets" shall mean the mortgages and bonds identified on  
-----  
Schedule 6.01(a) hereto.

"Law" shall mean all domestic or foreign federal, state, local statute,  
---  
law, ordinance or regulation.

"LIBOR" shall mean a rate per annum equal to the three month London  
-----  
Interbank Offered Rate as published in The Wall Street Journal, Eastern Edition, in effect on the Closing Date.

"Person" shall mean any individual, corporation, partnership, firm, joint  
-----

venture, association, joint-stock company, limited liability company, trust, unincorporated organization, governmental, judicial or regulatory body, business unit, division or other entity.

"Policies" shall mean all binders, policies, endorsements, riders,

-----

certificates and other contracts of insurance and annuity contracts issued or assumed by the Company on or prior to the Closing Date that are on forms identified in Exhibit A attached hereto and made a part hereof. Also included

-----

in the definition of "Policies" are (i) any such insurance policies, certificates and contracts that have lapsed and that otherwise would be eligible for inclusion herein, subject to reinstatement pursuant to reinstatement procedures contained in such policies, certificates and contracts, and (ii) all individual life policies that are required to be issued by the Company prior to or after the Closing Date following the exercise of conversion rights in accordance with the terms of the individual life policies reinsured by the Reinsurer hereunder.

"Policy Liabilities" shall mean the liability of the Company based upon or

-----

arising out of the Policies but shall not include (i) any Extra Contractual Obligations, (ii) claims incurred but not reported prior to the Effective Date or (iii) claims in the course of settlement as of the Effective Date. The term "Policy Liabilities" shall include, without limitation, any and all of the Company's liability:

- (a) For liabilities and obligations in respect of the Policies, and any attorneys' fees incurred by the Reinsurer related to such liabilities and obligations;
- (b) For premium taxes arising on account of premiums received by the Company in respect of the Policies and remitted to the Reinsurer or otherwise received by the Reinsurer at or after the Effective Date or in connection with participation by the Company, whether involuntary or voluntary, in any guaranty fund established or governed by any state or jurisdiction;
- (c) For returns or refunds of premiums (irrespective of when due) under the Policies payable at or after the Effective Date; and
- (d) For commission payments and other compensation, if any, payable at or after the Effective Date with respect to the Policies to or for the benefit of agents and brokers.

"Qualifying Assets" shall mean assets which qualify as admissible assets of

-----

the Reinsurer under statutory accounting principles and the Laws of the State of Indiana.

"Reinsurance Period" shall mean the period of time from the Effective Date  
-----  
of this Agreement through the termination of this Agreement.

"Revised Closing Balance Sheet" shall have the meaning set forth in Section  
-----  
6.01.

"Reinsurer Extra Contractual Obligations" shall mean (a) Extra Contractual  
-----  
Obligations based on acts, errors or omissions occurring on or after the Effective Date by the Reinsurer or any of its officers, employees, agents or representatives, and any attorneys' fees incurred by the Reinsurer related thereto, and (b) Company Extra Contractual Obligations except to the extent otherwise provided in Articles VIII and IX of the Purchase Agreement.

"SAP" shall mean statutory accounting practices prescribed or permitted by  
---  
applicable insurance regulatory authorities consistently applied throughout the specified period and in the comparable period in the immediately preceding year.

"Statutory Reserves" shall mean all reserves computed in accordance with  
-----  
statutory reserving requirements.

"Third Party Reinsurance Agreements" shall mean all reinsurance agreements  
-----  
to which the Company is a party and pursuant to which it cedes a portion of its net risk retained under the Policies (other than this Agreement).

ARTICLE II  
BUSINESS REINSURED  
-----

Section 2.01 General. Effective as of 12:01 a.m., Eastern Daylight Time,  
-----  
on July 1, 1998 (the "Effective Time"), the Company hereby cedes to and reinsures with the Reinsurer, and the Reinsurer hereby assumes and reinsures from the Company, on an indemnity reinsurance basis (i) 100% of the Policy Liabilities under any and all Policies and (ii) 100% of the Reinsurer Extra Contractual Obligations.

Section 2.02

(a) Policy Liabilities. From and after the Effective Time, as between  
-----  
the parties, the Reinsurer shall bear and shall have responsibility for paying all Policy Liabilities, including but not limited to liabilities for surrenders, withdrawals, and claims for benefits incurred on or after the Effective Time.



The Reinsurer hereby agrees to pay directly any Policy Liabilities under the Policies on behalf of, and in the name of, the Company; provided, however, that

-----  
the Reinsurer shall have no direct or indirect obligation itself to insureds, claimants, or beneficiaries under such Policies. The liability of the Reinsurer on any Policy shall begin simultaneously with that of the Company, but not prior to the Effective Time.

(b) Reinsurer Extra Contractual Obligations. From and after the

-----  
Effective Time, as between the parties, the Reinsurer shall bear and shall have responsibility for all Reinsurer Extra Contractual Obligations.

Section 2.03 Defenses. The Reinsurer accepts, reinsures, and assumes the

-----  
Policy Liabilities and Reinsurer Extra Contractual Obligations subject to any and all defenses, setoffs, and counterclaims to which the Company would be entitled with respect to the Policy Liabilities or Reinsurer Extra Contractual Obligations, as the case may be, it being expressly understood and agreed by the parties hereto that no such defenses, setoffs, or counterclaims are or shall be waived by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby and that the Reinsurer is and shall be fully subrogated in and to all such defenses, setoffs, and counterclaims.

Section 2.04 Declaration of Policy Interest Rates. Some of the Policies

-----  
ceded under this Agreement provide that the Company may in its discretion, from time to time, as provided in the policy or contract, declare interest rates that are used to determine policy or contract values. During the Reinsurance Period, the Company agrees that the Reinsurer shall have the right to designate such discretionary interest rates to be declared on the Policies and the effective dates thereof. The Company agrees to allow the Reinsurer to be the source of communication of such interest rate changes and their effective dates.

Section 2.05 Post-Closing Policies. The Company shall continue to issue

-----  
individual life insurance coverage following the exercise of conversion rights by policyholders in accordance with the terms and conditions of the Policies giving rise to such rights. Any coverage issued by the Company pursuant to such conversion rights shall be deemed a Policy for purposes of this Agreement and accordingly will be reinsured by the Reinsurer and administered pursuant to the terms of the Administrative Services Agreement. The Company and the Reinsurer shall cooperate in good faith to

facilitate the issuance of converted Policies in accordance with mutually acceptable procedures.

ARTICLE III  
GUARANTY FUND ASSESSMENTS

Section 3.01 Reimbursement of the Company. In the event the Company is

-----

required to pay any assessment to any insurance guaranty, insolvency, comprehensive health association or other similar fund maintained by any jurisdiction allocable to any insurer insolvency that occurs on or after the Effective Date, the portion, if any, of such assessment that relates to Policies (the "Related Assessment") shall be reimbursed by the Reinsurer. The Reinsurer shall not be obligated to reimburse the Company for any such assessment allocable to any insurer insolvency that occurs at any time prior to the Effective Date. The Reinsurer shall pay to the Company any Related Assessment which shall have become due, promptly on written demand therefor by the Company, submitted together with documentation evidencing such assessment and the payment therefor by the Company. If at any time the Company shall subsequently recover all or part of any such assessment reimbursed by the Reinsurer (e.g., through

----

policy surcharges or through reduction of or credits against premium taxes as to the Policies), the portion of any such recovery received or otherwise realized by the Company attributable to the Related Assessment shall be reimbursed to the Reinsurer (based upon the total portion of such recovery attributable to Policies). The Company shall provide the Reinsurer with semi-annual reports of any such recoveries regardless of the form in which received.

Section 3.02 Reimbursement of the Reinsurer. In the event the Reinsurer

-----

is required to pay any assessment to any insurance guaranty, insolvency, comprehensive health association or other similar fund maintained by any jurisdiction allocable to any insurer insolvency that occurs prior to the Effective Date, the portion, if any, of such assessment that relates to Policies (the "Related Prior Period Assessment") shall be reimbursed by the Company. The Company shall not be obligated to reimburse the Reinsurer for any such assessment allocable to any insurer insolvency that occurs at any time after the Effective Date. The Company shall pay to the Reinsurer any Related Prior Period Assessment which shall have become due, promptly on written demand therefor by the Reinsurer, submitted together with documentation evidencing such assessment and the payment therefor by the Reinsurer. If at any time the Reinsurer shall subsequently recover all or part of any such assessment reimbursed by the Company (e.g., through policy surcharges or through reduction of or credits

----

against premium taxes as to the Policies), the portion of any such recovery received or otherwise realized by the Reinsurer attributable to the Related Prior Period Assessment shall be reimbursed to the Company (based upon the total portion of such recovery

attributable to Policies). The Reinsurer shall provide the Company with semi-annual reports of any such recoveries regardless of the form in which received.

ARTICLE IV  
TERRITORY; TERM

-----

This Agreement shall apply to Policies covering lives and risks wherever resident or situated. Subject to Article IX below, this Agreement shall remain in full force and effect until the expiration or termination of all Policy Liabilities in respect of the Policies and until all obligations of either party hereunder have been discharged in full.

ARTICLE V  
RESERVES

-----

Section 5.01 Establishment of General Account Reserves. The Reinsurer

-----

shall be responsible for establishing and maintaining the proper general account Statutory Reserves for the Policies as required by state insurance regulatory authorities.

Section 5.02 Reserve Reports. The Reinsurer or its designee shall provide

-----

the Company, within 20 Business Days after the end of each calendar quarter other than the quarter ending December 31, and within 25 Business Days after the end of the calendar quarter ending December 31, valuation summary reports which shall itemize reserves and contracts in force by plan code, in a format mutually agreed upon by the Company and the Reinsurer. Such reports shall reflect 100% of any changes in the reserves described in Section 5.01 above which occurred during the accounting period for which such reports are made. These reports shall include statutory and tax reserves.

Section 5.03 Reinsurance Reserve Credits. If the full statutory

-----

reinsurance reserve credit contemplated by this Agreement is or becomes unavailable to the Company with respect to any jurisdiction, the Reinsurer shall take any and all action necessary to make such full statutory reinsurance reserve credit available to the Company. In doing so, the Reinsurer shall have the discretion to utilize any means available in the applicable jurisdiction to make such full statutory reinsurance reserve credit available to the Company, which may include, but not be limited to, permitting the Company to withhold funds, establishing a reserve trust account or posting a letter of credit. If a letter of credit is utilized it shall be furnished and maintained by the Reinsurer for the benefit of the Company and be clean, irrevocable and unconditional and otherwise of such nature and amount as to satisfy the requirements of the particular

jurisdiction for purposes of establishing full statutory reinsurance reserve credit for the Company.

In the event that the Reinsurer shall fail or refuse to fulfill any of its obligations under this Agreement relating to the payment of liability, the Company shall be entitled to proceed under the terms and conditions of any

letter of credit, trust agreement or any other agreement relating to the same and seize and take possession of the funds represented by the same and apply those funds to reduce the Reinsurer's obligations to the Company.

ARTICLE VI  
TRANSFER OF ASSETS; ACCOUNTING  
-----

Section 6.01 Initial Transfer of Assets.  
-----

(a) On the Closing Date, the Company shall transfer to Reinsurer (i) Policy loans, (ii) due and accrued premiums on the Policies, (iii) Investment Assets, and (iv) cash, having an aggregate value equal to the excess of General Account Statutory Reserves as of July 1, 1998 over the amount of goodwill attributable to the Business. For the purposes of this Section 6.01(a), the value of each of the items (other than cash) identified in the preceding sentence shall be the book value of such item as of June 30, 1998, as set forth on Schedule 6.01(a). The assets to be transferred pursuant to this Section 6.01(a) shall consist first of Policy loans and due and accrued premiums on the Policies and second of Investment Assets and cash; provided, that the amount of cash transferred shall be the minimum amount necessary (taking into account any inability to divide Investment Assets) to produce the correct value for transferred assets in accordance with this Section 6.01(a). The individual Investment Assets to be transferred shall be selected by the Company, but such selection shall be made with the goal of minimizing the amount of cash to be transferred to Reinsurer.

(b) In addition to the assets to be transferred to Reinsurer pursuant to Section 6.01(a), on the Closing Date the Company shall transfer to Reinsurer cash in an amount reflecting post-Effective Time cash flows up to and including the last day of the last calendar quarter ending not less than 30 days prior to the Closing Date, determined in accordance with Schedule 6.01(b) (the "Post-Effective Time Cash Flows").

Section 6.02 Post-Closing Adjustments.  
-----

(a) As promptly as practicable after the Closing (but in no event more than 45 days thereafter), the Company shall recalculate each item included in Post-

Effective Time Cash Flows to reflect any inaccuracy in the calculation utilized for the purposes of Section 6.01(b) and to include cash flows during the period between the date through which such cash flows were calculated for the purposes of Section 6.01(b) and the Closing Date. Once such items have been recalculated, the Company shall provide to Reinsurer a revised Schedule 6.01(b) reflecting such recalculations along with reasonably detailed supporting data.

(b) Reinsurer shall have the right to review the revised Schedule 6.01(b) and comment thereon for a period of forty-five (45) calendar days after receipt thereof. In the event that Reinsurer and the Company are unable to agree on the manner in which any item or items should be treated in the revised Schedule 6.01(b) within such 45-day period, the Company, on the one hand, and Reinsurer, on the other, shall prepare separate written reports of such items or items and refer such reports to a qualified third party accountant or actuary, as appropriate, mutually acceptable to Reinsurer and the Company (the "Third Party Consultant") within ten (10) Business Days after the expiration of such 45-day period. The Third Party Consultant shall determine within ten (10) Business Days the manner in which such item or items shall be treated in the revised Schedule 6.01(b); provided, however, that the dollar amount of each item

-----  
in dispute shall be determined within the range of dollar amounts proposed by the Company on the one hand, and Reinsurer on the other hand. The determinations by the Third Party Consultant as to the items in dispute shall be in writing and shall be Final and Binding on the parties and shall be so reflected in the revised Schedule 6.01(b). For purposes of this Agreement, "Final and Binding" shall mean that the aforesaid determinations shall have the same preclusive effect for all purposes as if such determinations had been embodied in a final judgment, no longer subject to appeal, entered by a court of competent jurisdiction. The fees, costs and expenses of retaining the Third Party Consultant shall be shared 50% by the Company, on the one hand, and 50% by Reinsurer, on the other.

(c) Not later than three Business Days following the resolution of any disputes with respect to the revised Schedule 6.01(b), Reinsurer shall pay to the Company or the Company shall pay to Reinsurer, as appropriate, the amount necessary to put the parties in the same economic position as if the revised Schedule 6.01(b) had been utilized for the purposes of the payment made at Closing pursuant to Section 6.01(b), including interest on the amount so paid from and including the Closing Date to but not including the date of such transfer, computed at LIBOR.

Section 6.03 Net Quarterly Adjustment. With respect to any calendar  
-----  
quarter, the "Net Quarterly Adjustment" shall be the amount calculated by comparing:

- (a) the sum of:
  - (i) the gross premium collected on all Policies;
  - (ii) the interest payments and principal repayments on all Policy loans;
  - (iii) the administrative, cost of insurance, and other charges deducted under the Policies; and

- (iv) any other fees, charges, premiums, costs, or other amounts, or portion(s) thereof;

in each case, collected during the preceding calendar quarter and which would be payable to the Company in the absence of the reinsurance of the Policies effected by this Agreement.

(b) with the sum of the following:

- (i) the Policy benefits paid, including death benefits (net of reimbursements under Third Party Reinsurance Agreements), full or partial cash surrender benefits, full or partial withdrawal benefits, maturity benefits, annuity payments, Policy loan benefits and premium (or other) refunds;
- (ii) the commissions paid (net of refunds) by or on behalf of the Company for all Policies;
- (iii) the amount of any state, municipal or other premium or gross receipts taxes paid by or on behalf of the Company with respect to Policy premiums collected;
- (iv) the premiums (net of refunds) paid by or on behalf of the Company under the Third Party Reinsurance Agreements; and
- (v) any other fees, charges, premiums, costs, and other amounts paid by or on behalf of the Company with respect to the Policies;

in each case, paid during the preceding calendar quarter and which would be payable by the Company under the terms of the Policies in the absence of the reinsurance of the Policies effected by this Agreement.

Reimbursements listed above shall not be made with respect to items accrued by the Company prior to the Effective Date.

If the sum of items in Section 6.03(a) exceeds the sum of items in Section 6.03(b) for the preceding calendar quarter, then (subject to the provisions of Section 6.05) such excess (to the extent not already paid to or on behalf of the Reinsurer) shall be paid by the Company to the Reinsurer by wire transfer of immediately available funds before the end of business on the tenth day of the current calendar quarter. Conversely, if the sum of the items in Section 6.03(b) exceeds the sum of the items in Section 6.03(a) for the preceding calendar quarter, then (subject to the provisions of Section 6.05) such excess (to the extent not already paid to or on behalf of the Company) shall be paid by the Reinsurer to the Company by wire transfer of immediately available funds before the end of business on the tenth day of the current calendar quarter.

Section 6.04 Benefit Payments. The Reinsurer shall have full

-----  
responsibility and authority for all benefit payment determinations or settlements, and shall be solely responsible for all expenses associated with benefit payment determinations or settlements. Such benefit payment authority shall be subject to the Company's guidelines as in effect at the Effective Date and any amendments to such guidelines may only be made by mutual written agreement of the Company and the Reinsurer.

Section 6.05 Cash Settlement and Accounting.  
-----

(a) Quarterly Cash Statements. At the end of the tenth Business Day  
-----

next succeeding the end of each calendar quarter, the Reinsurer will provide the Company with a statement setting forth amounts payable to the Company and the Reinsurer for such preceding calendar quarter.

(b) Form of Statements. All statements provided pursuant to Section  
-----

6.05(a) above shall be in a form agreed to by the Company and the Reinsurer in writing and shall summarize the items to be settled in reasonable detail.

(c) Right to Audit. The Company shall have the right to audit the  
-----

amounts contained in any statements delivered under this Section 6.05. For such purposes, the Company and its employees, professional advisors and agents shall have a right to review and copy the relevant books and records of the Reinsurer and to discuss such matters with employees or the Reinsurer during normal business hours.

The Reinsurer agrees to instruct its independent public accountants and actuaries to provide information to the Company and render reasonable assistance to them in conducting any such audit.

(d) General Right of Offset. Notwithstanding any provision of this  
-----

Agreement, any and all amounts due from one party to the other may be offset against amounts due from the other party under this Agreement or under any other written agreement hereafter entered into by and between the parties, in settling and making payments on a net basis of amounts due under this Agreement and any subsequent written agreements.

All settlements of account between the Company and the Reinsurer shall be made in cash or its equivalent.

ARTICLE VII  
ADMINISTRATION; RECORDS; NOTICES  
-----

Section 7.01 Administration. Administration and servicing of all of the

-----  
Policies shall be conducted pursuant to the terms and subject to the conditions set forth in the Administrative Services Agreement, dated as of the date hereof, between the Company, Seaboard Life Insurance Company, a Canadian Federal insurance company, and the Reinsurer, as the same may be amended from time to time (the "Administrative Services Agreement"). Reports, files, and other records and information relating to the Policies shall be transferred and maintained pursuant to the terms and subject to the conditions set forth in the Administrative Services Agreement.

Section 7.02 Transfer of Books and Records. The Company shall forward to  
-----

the Reinsurer all reports, records, underwriting files, policy files, claims files and information in any form in its possession relating to the Policies pursuant to and in accordance with the Administrative Services Agreement.

Section 7.03 Maintenance of Books and Records. The Reinsurer agrees to  
-----

maintain a true and complete set of books and records relating to all transactions under this Agreement, including without limitation all such records as may be required by applicable Law. The Reinsurer shall maintain such books and records at the Reinsurer's expense and in accordance with prudent standards of insurance record-keeping and all applicable Law. The books and records shall be available (at their place of keeping) for inspection, examination, and audit by the Company and state and federal regulatory authorities (in each case together with their respective representatives) at all reasonable times. The Reinsurer shall furnish to the Company (i) at the Reinsurer's expense, copies of any books or records relating to the transactions

under this Agreement as may be reasonably required by the Company in connection with the preparation of the Company's financial statements, state and federal income and other tax returns, and any other filings or reports required to be filed with, or requested by, state or federal regulatory authorities or any rating agencies and (ii) at the Company's expense, copies of any such books and records for any other reason. Without limiting the generality of the foregoing, the Reinsurer shall provide the Company (at the Reinsurer's expense) with all information concerning the Policies required to be included in the Company's state premium tax returns (in a format suitable for direct insertion therein).

Section 7.04 Notices. The Company agrees that, after the Service  
-----

Transition Date (as defined in the Administrative Services Agreement), it shall forward promptly to the Reinsurer all notices and other written communications received by it relating to the Policies (including without limitation all inquiries or complaints from state insurance regulators, agents, brokers and insureds and all notices of claims, suits and actions for which it receives service of process). The Company shall be entitled to retain copies of all such materials.



ARTICLE VIII  
CONDITIONS PRECEDENT  
-----

The consummation of this Agreement and the transactions contemplated hereby are expressly contingent upon and subject to (i) obtaining any and all such approvals and consents as may be required by applicable Law or regulatory authority and (ii) the closing of the transactions contemplated by the Purchase Agreement. No provision in this Agreement shall be deemed to require any party hereto to take any action prohibited by applicable Law or regulatory authority.

ARTICLE IX  
RECAPTURE; TRUST  
-----

Section 9.01 Right of Recapture or Trust. At any time after the  
-----

occurrence (or nonoccurrence, as the case may be) of any of the following, the Company shall have the right, upon delivery of written notice to the Reinsurer, to (i) recapture any and all of the Policies or (ii) require that the Reinsurer establish a trust reasonably acceptable to the Company (the "Trust") and deposit Qualifying Assets therein having a fair market value equal to the amount of the general account Statutory Reserves with respect to the Policies:

(a) if the Reinsurer fails to comply with any material provision of this Agreement or the Administrative Services Agreement, and such failure is not corrected within 60 days after written notice thereof is delivered to the Reinsurer by the Company;

(b) if the Reinsurer receives a rating from A.M. Best of "A-" or below or is no longer rated by A.M. Best; or

(c) if the Reinsurer is placed in receivership, conservatorship, rehabilitation, or liquidation by any insurance regulatory authority or becomes (whether voluntarily or involuntarily) the subject of a proceeding under any local, state, or federal bankruptcy or insolvency Law.

Section 9.02 Effect of Recapture. Upon the receipt of the Company's  
-----

notice to recapture pursuant to Section 9.01 hereof, and without further action by the Reinsurer, the Reinsurer will be deemed to have (i) ceded, transferred, and assigned to the Company all Policy Liabilities; (ii) transferred and assigned to the Company Qualifying Assets (including all Policy loans) having an aggregate statutory book value as of the date of recapture equal to the aggregate General Account reserve liability amount established by the Company as of such date with respect to the Policies (without giving effect to the reinsurance under this Agreement), together with all interest, dividend, or other investment income accrued on such assets from the date of the Reinsurer's

receipt of such recapture notice until the date of the Company's receipt of such assets; and (iii) sold, transferred, and assigned to the Company any and all of the Reinsurer's right, title, and interest in and to all gross premiums, premium adjustments, amounts recoverable from reinsurers, and other similar payments and receivables that are or may be due or payable under the Policies. The Reinsurer shall cooperate with the Company in effecting any recapture of Policies pursuant to Section 9.01 hereof, including without limitation by promptly transferring amounts to the Company described in clause (ii) above and by executing and delivering such other documents, instruments and certificates effectuating the recapture described in this Article and reasonably requested by the Company. Upon recapture, a recapture fee calculated in the manner set forth on Schedule 9.02 hereto, less the liquidated damages set forth in Section 9.04 below, shall

----

be payable to the Reinsurer by the Company.

Section 9.03 Trust. Upon the receipt of the Company's notice to require

-----

the establishment of a trust pursuant to Section 9.01 hereof, and without further action by the Reinsurer, the Reinsurer will be deemed to have transferred and assigned to the Trust assets of the Reinsurer having an aggregate statutory book value as of the effective date of such notice equal to the aggregate General Account reserve liability

amount established by the Company as of such date with respect to the Policies (without giving effect to the reinsurance under this Agreement), together with all interest, dividend, or other investment income accrued on such assets from the date of the Reinsurer's receipt of such notice until the date of the Trust's receipt of such assets. The Reinsurer shall cooperate with the Company in effecting the creation and funding of the Trust pursuant to Section 9.01 hereof, including without limitation by promptly transferring amounts to the Trust described in the preceding sentence and by executing and delivering such other documents, instruments and certificates effectuating the establishment, funding, and maintenance of the Trust described in this Section and reasonably requested by the Company.

Section 9.04 Liquidated Damages. Upon the recapture of all Policies or

-----

establishment of the Trust pursuant to Section 9.01 hereof, the Reinsurer shall pay to the Company (within five Business Days after the Reinsurer's receipt of the Company's notice under Section 9.01) liquidated damages in an amount equal to \$1,000,000.

ARTICLE X  
RIGHT OF INSPECTION

-----

Each party hereto and its respective authorized representatives shall have the right, at all reasonable times during normal business hours, to inspect and review all books, records, accounts, reports, tax returns, files and information

of the other party hereto relating to the Policies and Policy Liabilities under such Policies.

ARTICLE XI  
INDEMNIFICATION

-----

The indemnification rights of the parties to this Agreement are set forth in the Purchase Agreement.

ARTICLE XII  
INSOLVENCY

-----

The Reinsurer hereby agrees that, as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the portion of any risk or obligation assumed by the Reinsurer, when such portion is ascertained, shall be payable immediately on demand of the Company at the same time as the Company shall pay its retained portion of such risk or obligation, with reasonable provision for verification before payment, and the reinsurance shall be payable by the Reinsurer on the basis of the liability of the Company under the Policy or Policies reinsured, without diminution because of the insolvency of the Company, directly to the Company or to its liquidator, receiver, or other statutory successor. It is agreed that in the event of the insolvency of the Company, the liquidator, receiver or other statutory successor of the Company shall give prompt written notice to the Reinsurer of the pendency or submission of a claim under the Policy or Policies reinsured. During the pendency of such claim, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense available to the Company or its receiver. The expense thus incurred by the Reinsurer is chargeable against the Company, subject to any court approval, as a part of the expense of liquidation to the extent of a proportionate share of the benefit which accrues to the Company solely as a result of the defense undertaken by the Reinsurer.

ARTICLE XIII  
NO THIRD PARTY RIGHTS

-----

The Reinsurer's coinsurance of the Policy Liabilities pursuant to this Agreement with respect to any of the Policies is intended for the sole benefit of the parties to this Agreement and shall not create any right on the part of any policyholder, insured, claimant or beneficiary under such Policies against the Reinsurer or any legal relationship between such policyholders, insureds, claimants or beneficiaries and the Reinsurer.

ARTICLE XIV

DUTY OF COOPERATION

-----

Each party hereto shall cooperate fully with the other party hereto in all reasonable respects in order to accomplish the objectives of this Agreement.

ARTICLE XV

ARBITRATION

-----

In the event any dispute arises between the parties hereto with reference to any aspect of this Agreement, such dispute may be submitted for resolution by arbitration if both parties hereto agree in writing. Within 30 days after such agreement, each party shall select one arbitrator (for a total of two), and such selected arbitrators shall select a third arbitrator within 60 days after such agreement. If either party fails to select an arbitrator within such time period, the arbitrator that was timely selected by the other party shall serve as the sole arbitrator. All arbitrators shall have had experience serving as an arbitrator for reinsurance disputes or shall have served as an officer of a life, accident or health insurance or reinsurance company. No arbitrator shall be or have been affiliated with or employed by any party hereto or their respective affiliates. The arbitration shall occur in a mutually acceptable location and be governed pursuant to the rules of commercial arbitration of the American Arbitration Association and the Laws of the State of Indiana. The arbitrators shall make their determination within 30 days after the appointment of the last arbitrator. Judgment may be entered upon the final decision of the arbitrators in any court having jurisdiction, and notwithstanding any provision in this Agreement to the contrary, such arbitration determination shall be final and conclusive for all legal purposes and may not be appealed to any court or other forum. Each party shall pay the expenses incurred by it and by the one arbitrator selected by it. Each party shall pay one-half of the fees and out-of-pocket expenses of the American Arbitration Association (if any) and the third arbitrator.

ARTICLE XVI

GENERAL PROVISIONS

-----

Section 16.01 DAC Adjustment. (a) For purposes of this Agreement, the

-----

term "DAC Adjustment" is calculated as follows: First, for each taxable year with respect to each category of Policies, "the gross amount incurred by the reinsurer with respect to this Agreement" (as defined in Section 1.848-2(f)(2)(i)(A) of the regulations (the "Regulations") under the Internal Revenue Code of 1986, as amended (the "Code"), for such category (but not including any DAC Adjustment incurred in such year) is multiplied by the applicable percentage set forth in Section 848 (c)(1) of the Code for such category. The amount, if any, from the preceding sentence for a category of Policies is then reduced by the amortization allowed the Company under Section 848(a)(2) of the Code for

such amount (without regard to any payment of any DAC Adjustment). The result for a category, whether positive or negative, is then multiplied by the quotient of:  $tr / (1 - (tr \times (1 + Y)))$ , where  $tr$  = the maximum applicable marginal corporate federal income tax rate (as defined in Section 11(b)(1)(D) of the

Code) for the taxable year, and  $Y$  = the applicable percentage set forth in Section 848(c)(1) for such category of Policies. The aggregate amount of such calculations for all categories of Policies for a taxable year (whether positive or negative) is the DAC Adjustment for the year.

(b) Within 60 days of the end of the Company's taxable year, the Reinsurer shall calculate the DAC Adjustment for the year and submit such calculations to the Company for review. If, within 30 days of the Company's receipt of such calculations, the Company shall not have objected in writing to such calculations, the calculations shall become final. If, within 15 days of any objection in writing to such calculations, the Company and the Reinsurer shall not have agreed in writing to such calculations (in which case the calculations shall become final), any disputed aspects of the calculations shall be resolved by the Third Party Consultant within 30 days of the submission of the dispute to the Third Party Consultant by the Company or the Reinsurer. The decision of the Third Party Consultant shall be final (and the resulting calculations shall be final), and the costs, expenses, and fees of the Third Party Consultant shall be borne equally by the Company and the Reinsurer.

(c) If the amount of the DAC Adjustment for any taxable year of the Company is positive, the Reinsurer shall pay such amount to the Company within 15 days of the date on which the calculations of the DAC Adjustment become final. If the amount of the DAC adjustment for any taxable year of the Company is negative, the Company shall pay such amount to the Reinsurer within 15 days of the date on which the calculations of the DAC Adjustment become final.

(d) Notwithstanding any other provision of this Section 16.01, the term "gross amount incurred by the reinsurer with respect to this Agreement" shall not include (i) all or any part of the Purchase Price (as defined in the Purchase Agreement) or (ii) the consequences of any recapture of the Policies pursuant to Article IX hereof.

(e) In the event that Section 848 of the Code or the Regulations thereunder are amended after the date hereof and any change is made to the amortization period under Section 848(a)(2), the capitalization percentages in Section 848(c)(1), or the definition of the term "gross amount incurred by the reinsurer with respect to the reinsurance agreement" in Section 1.848-2(f)(2)(i)(A) of the Regulations, the Company and the Reinsurer shall cooperate in good faith to modify the definition of the term "DAC Adjustment" to reflect such change, consistent with the principles and assumptions originally used in defining that term in this Agreement.

Section 16.02 DAC Tax Election. With respect to this Agreement, the  
-----  
Company and the Reinsurer hereby make the election provided for in Section

1.848-2(g) (8) of the Treasury Regulations issued under Section 848 of the Code, and as set forth in Exhibit B. Each of the parties hereto agrees to take such

-----

further actions as may be necessary to ensure the effectiveness of such election.

Section 16.03 Notices. Any notice or communication given pursuant to this

-----

Agreement must be in writing and (a) delivered personally, (b) sent by facsimile transmission, (c) delivered by overnight express, or (d) sent by registered or certified mail, postage prepaid, as follows:

If to the Reinsurer: Life Re Corporation  
969 High Ridge Road, Stanford CT 06905  
Attention: W. Weldon Wilson  
Facsimile No.: (203)968-0920

If to the Company: Seaboard Life Insurance Company (USA)  
525 South Meridian  
Indianapolis, Indiana 46225-1125  
Attention: President  
Facsimile No.: (317) 238-5611

with a copy to:

Sutherland, Asbill & Brennan LLP  
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2415  
Attention: David A. Massey, Esq.  
Facsimile No.: (202) 637-3593

All notices and other communications required or permitted under the terms of this Agreement that are addressed as provided in this Article shall (i) if delivered personally or by overnight express, be deemed given upon delivery; (ii) if delivered by facsimile transmission, be deemed given when electronically confirmed; and (iii) if sent by registered or certified mail, be deemed given when received. Any party from time to time may change its address for notice purposes by giving a similar notice specifying a new address, but no such notice shall be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

Section 16.04 Entire Agreement. This Agreement (including the Exhibits

-----

hereto), the Purchase Agreement and the Administrative Services Agreement contain the entire agreement and understanding between the parties with respect to the

transactions contemplated hereby and thereby, and supersede all prior agreements and understandings, written or oral, with respect thereto.

Section 16.05 Expenses. Except as may be otherwise expressly provided in  
-----

this Agreement, whether or not the transactions contemplated hereby are consummated, each of the parties hereto shall pay its own costs and expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the transactions contemplated hereby.

Section 16.06 Counterparts. This Agreement may be executed in one or more  
-----

counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 16.07 No Third Party Beneficiary. Except as otherwise provided  
-----

herein, the terms and provisions of this Agreement are intended solely for the benefit of the parties hereto, and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person, and no such rights shall be conferred upon any Person or entity not a party to this Agreement.

Section 16.08 Amendment. This Agreement may only be amended or modified  
-----

by a written instrument executed on behalf of both parties hereto.

Section 16.09 Assignment; Binding Effect. Neither this Agreement nor any  
-----

of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by any of the parties hereto without the prior written consent of the other party, and any such assignment that is attempted without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and permitted assigns.

Section 16.10 Invalid Provisions. If any provision of this Agreement is  
-----

held to be illegal, invalid, or unenforceable under any present or future Law, and if the rights or obligations of the parties hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable; (b) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom.

Section 16.11 Governing Law. This Agreement shall be governed by and  
-----

construed in accordance with the Laws of the State of Indiana, regardless of the

Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 16.12 Waiver. Any term or condition of this Agreement may be

-----

waived in writing at any time by the party that is entitled to the benefit thereof. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach or nonfulfillment on a future occasion. All remedies, either under the terms of this Agreement, or by Law or otherwise afforded, shall be cumulative and not alternative, except as otherwise provided by Law.

Section 16.13 Headings, etc. The headings used in this Agreement have

-----

been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (a) words using the singular or plural number also include the plural or singular number, respectively; (b) the terms "hereof," "herein," "hereby," "hereto," "hereunder," and derivative or similar words refer to this entire Agreement (including the Exhibits hereto); (c) the term "Article" refers to the specified Article of this Agreement; and (d) the term "party" means, on the one hand, the Company, and on the other hand, the Reinsurer.

Section 16.14 Offset. The Company may, in its sole discretion and without

-----

prior notice to the Reinsurer, reduce any amount the Company owes hereunder to the Reinsurer by the amount, if any, that the Reinsurer owes to the Company at such time.

Section 16.15 Compliance with Laws. The parties hereto shall at all times

-----

comply with all applicable Laws in performing their obligations under this Agreement.

IN WITNESS WHEREOF, the Company and the Reinsurer have each executed this Agreement as of the date first written above.

LIFE REASSURANCE CORPORATION  
OF AMERICA

By:

-----

Name:

Title:

SEABOARD LIFE INSURANCE COMPANY (USA)

By:



-----  
Name:  
Title:

Exhibit A

POLICY FORMS  
-----

Exhibit B

TAX ELECTION  
-----

The Company and the Reinsurer hereby make an election pursuant to Treasury Regulations Section 1.848-2(g)(8), issued pursuant to Section 848 of the Code. This election shall be effective for the tax year during which the Effective Date falls and all subsequent taxable years for which this Agreement remains in effect. Unless otherwise indicated, the terms used in this Exhibit are defined by reference to Treasury Regulations Section 1.848-2 as in effect on the date hereof. As used below, the term "party" or "parties" shall refer to the Company or the Reinsurer, or both, as appropriate.

1. The party with the net positive consideration with respect to the transactions contemplated under this Agreement for any taxable year covered by this election will capitalize specified policy acquisition expenses with respect to such transactions without regard to the general deductions limitation of Section 848(c)(1) of the Code.
2. The parties agree to exchange information pertaining to the amount of net consideration under this Agreement each year to ensure consistency or as is otherwise required by the Internal Revenue Service. The exchange of information each year will follow the procedures set forth below:
  - (1) By June 1 of each year, the Reinsurer will submit a schedule to the Company of its calculation of the net consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement signed by an officer of the Reinsurer stating the amount of the net consideration the Reinsurer will report in its tax return for the preceding calendar year.
  - (2) Within 30 days of the Company's receipt of the Reinsurer's calculation, the Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing. If the Company does not notify the Reinsurer that it contests such calculation within said 30-day period, the calculation will be presumed correct and the Company shall also report the net consideration as determined by the Reinsurer in the Company's tax return for the preceding calendar year.

(3) If the Company provides an alternative calculation of the net consideration pursuant to clause (b), the parties will act in good faith to reach an agreement as to the correct amount of net consideration within 30 days of the date the Reinsurer receives the alternative calculation from the Company. When the Company and the Reinsurer reach agreement on an amount of net consideration, each party shall report the applicable amount in their respective tax returns for the preceding calendar year.

Agreed and accepted:

SEABOARD LIFE INSURANCE COMPANY (USA)

By: -----  
 Name:  
 Title:

LIFE REASSURANCE CORPORATION OF AMERICA

By: -----  
 Name:  
 Title:

Schedule 6.01(b)

Post-Effective Time Cash Flows  
 -----

Premium (net of third party reinsurance);	\$ -----
Policy charges including policy loan principal and interest repayments	\$ -----
Policy benefits and policy loan payments	\$( ) -----
Premium taxes on premiums received and guaranty fund assessments relating to insolvencies occurring after the Effective Time	\$( )

Commission payments		\$ ( _____ )
Administrative expenses		\$ ( _____ )
Third party reinsurance recoveries		\$ _____
Sub-Total		\$ _____
Interest @.0001918 x one-half the number of days		\$ _____
Total		\$ _____

Schedule 9.02  
-----

Recapture Fee  
-----

The amount of the Recapture Fee shall be determined in accordance with the formula set forth below by a nationally recognized actuarial consulting firm which shall not be affiliated with either the Company or the Reinsurer. The actuarial firm selected to calculate the amount of the Recapture Fee is referred to hereinafter as the "Actuary."

The Recapture Fee shall be equal to the Appraisal Value of the Business as of the recapture date, adjusted for taxes as provided below.

Appraisal Value. The Appraisal Value of the Business shall be equal to the \_\_\_\_\_  
present value (calculated at a 10 percent interest rate) as of the recapture date of the following values for the Business: (a) After Tax Statutory Profits, plus (b) After Tax Interest on Required Surplus, minus or plus (c) the Increase \_\_\_\_ or Decrease in Required Surplus, minus (d) the Initial Required Surplus.  
-----

For these purposes, Required Surplus shall be calculated on the assumption that Total Adjusted Capital to Company Action Level RBC, in each case with respect to the Business, shall be 200 percent (Both Total Adjusted Capital and Company Action Level RBC shall be determined as provided in the Risk-Based

Capital (RBC) Model Act or the NAIC's rules with respect thereto). In fixing the other values required by the above formula, the Actuary shall use its best estimates of future mortality, earned and credited interest rates, lapses and surrenders, premium persistency, producer compensation, other taxes, licenses and fees; provided, however, that the Actuary shall assume that the unit cost of providing administrative services for the Business shall increase by three percent per year over the estimated cost of such services for the twelve months immediately following the recapture date.

Tax Adjustments. The Appraised Value shall be calculated net of any  
-----

Federal or state income Tax credits and charges inuring to or incurred by the Company as a result of the recapture of the Business.

## PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into on December 29, 1998, by and among Life Reassurance Corporation of America, a Connecticut corporation ("Buyer"), Eureka B.V., a company organized under the laws of the Netherlands ("Eureka") and Seaboard Life Insurance Company (USA), an Indiana insurance corporation ("Seller").

## RECITALS:

WHEREAS, Seller is engaged in, among other things, the business of underwriting, issuing and administering certain life insurance and annuity products, as more particularly described in Exhibit A hereto (the "Business");

-----

WHEREAS, Seller desires to cede to Buyer, and Buyer desires to reinsure from Seller, all of Seller's rights, liabilities and obligations in respect of the life insurance products and annuity products constituting the Business effective as of the Effective Date;

WHEREAS, the parties hereto desire that Buyer assume and provide all support and administrative services relating to the Business effective as of the Effective Date; and

WHEREAS, each of Buyer, Eureka and Seller desire to make certain representations, warranties and agreements in connection with the transactions contemplated by this Agreement (the "Transactions") and also desire to set forth various conditions precedent thereto.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, the parties hereto agree as follows:

ARTICLE I  
THE TRANSACTIONS

-----

SECTION 1.1. Reinsurance and Administration. Concurrently with the

-----

execution of this Agreement, (i) Buyer and Seller are executing and delivering an indemnity reinsurance agreement (the "Indemnity Reinsurance Agreement"), and (ii) Buyer, Seller and Seaboard Life Insurance Company ("SLIC-Canada") are executing and delivering an administrative services agreement (the

"Administrative Services Agreement").

SECTION 1.2. Consideration for the Transaction. The aggregate consideration

-----

payable by Buyer in respect of the Transactions shall be a cash ceding commission equal to \$8.32 million (the "Purchase Price").

SECTION 1.3. Closing.

-----

(a) "Closing" means the closing of the Transactions. "Effective Date" means July 1, 1998. "Closing Date" means (i) the first day of the month immediately following the month in which the last of the conditions to closing set forth in this Agreement is satisfied or waived in writing, if the last of such conditions was so satisfied or waived on or prior to the 15th day of such prior month or (ii) the first day of the second month immediately following the month in which the last of such conditions is so satisfied or waived, if the last of such conditions was so satisfied or waived after the 15th day of such prior month; provided, however, that if such date is not a Business Day, the

-----

Closing Date shall be the immediately succeeding Business Day, and provided further, that the Closing may occur on such other day as the parties may agree to in writing. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in Indiana are permitted or obligated by law to be closed.

(b) The Closing will take place at the offices of Sutherland, Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, D.C. 20004, at 10:00 a.m., Eastern Time on the Closing Date or such other time or place as the parties may mutually agree (the "Closing Date").

(c) At the Closing, Buyer shall (i) pay the Purchase Price to Seller, together with interest thereon from and including July 1, 1998, to but excluding the Closing Date at a rate of 7 percent per annum, by wire transfer of immediately available funds to such accounts as Seller shall specify to Buyer; and (ii) deliver to Seller such documents and instruments as are required to be delivered by Buyer under the terms of this Agreement (including without limitation the documents required to be executed and delivered by Buyer pursuant to Section 6.2, the "Buyer Documents").

(d) At the Closing, Seller shall deliver to Buyer such documents and instruments as are required to be delivered by Seller under the terms of this Agreement (including without limitation the documents required to be executed and delivered by Seller pursuant to Section 6.1, the "Seller Documents").

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF EUREKO AND SELLER

-----

Eureko and Seller make the following representations and warranties to Buyer:

SECTION 2.1. Organization and Good Standing. Seller is a corporation duly

-----  
organized, validly existing and in good standing under the Laws (as defined below) of Indiana. Seller has all requisite corporate power and authority to own, lease or otherwise hold its assets and to conduct the Business as presently conducted. Seller is duly qualified as a foreign corporation and is in good standing in each jurisdiction which its ownership, lease or use of assets or property or conduct of business makes such qualification necessary, except where the failure to be so qualified does not have and cannot reasonably be expected to have a Material Adverse Effect (as defined below). Eureko is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation (to the extent that the concept of good standing has legal significance in such jurisdiction) and has all corporate powers required to carry on its business as now conducted. As used in this Agreement, the term "Laws" shall mean all domestic or foreign federal, state, local statutes, laws, ordinances or regulations. As used in this Agreement, the term "Material Adverse Effect" shall mean a material adverse effect on (i) the Business, (ii) the validity or enforceability of this Agreement, or (iii) on Eureko's or Seller's ability to perform its obligations under this Agreement.

SECTION 2.2. Authorization of Agreement; Binding Obligation. Each of

-----  
Eureko and Seller has all requisite corporate power and authority to execute and deliver this Agreement and the Seller Documents and to perform its respective obligations hereunder and thereunder. The execution and delivery by Eureko and Seller of this Agreement and the Seller Documents and the performance by Eureko and Seller of their respective obligations hereunder and thereunder have been duly authorized by all necessary corporate and stockholder action on the part of Eureko and Seller. This Agreement has been (and the Seller Documents will be) duly executed and delivered by duly authorized officers of Eureko and Seller and, assuming the due execution and delivery of this Agreement and the Seller Documents by the other parties hereto and thereto, constitutes (and each of the Seller Documents will constitute) valid and binding obligations of Eureko and Seller enforceable against Eureko and Seller in accordance

with their respective terms, except to the extent enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 2.3. No Conflicts. The execution and delivery of this Agreement and

-----  
the Seller Documents by Eureko and Seller do not, and the performance by Eureko and Seller of their respective obligations hereunder and thereunder will not, (a) conflict with the articles or certificate of incorporation or by-laws of Eureko or Seller, (b) conflict with, result in any violation of, constitute a

default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration under, any contract, permit, order, judgment or decree to which Eureka or Seller is a party other than those that individually or in the aggregate with other such conflicts, violations, defaults, and rights of termination, cancellation, and acceleration, do not have and cannot reasonably be expected to have a Material Adverse Effect, (c) subject to obtaining the approvals and making the filings described on Schedule 2.3, constitute a violation of any Law applicable to Eureka or Seller other than those that, individually or in the aggregate with other such violations, do not have and cannot reasonably be expected to have a Material Adverse Effect, (d) require Eureka or Seller to obtain or make any consent, approval, order or authorization of, or registration, declaration or filing with, any domestic or foreign court, government, governmental agency, authority, entity or instrumentality (collectively, "Governmental Entity") or other person or entity, other than (i) as described on Schedule 2.3 and (ii) those which the failure to obtain, make, or give individually or in the aggregate with other such failures do not have and cannot reasonably be expected to have a Material Adverse Effect.

#### SECTION 2.4. Licenses.

-----

(a) Seller owns or holds all licenses, permits and authorizations required in connection with the conduct of the Business other than those that the failure to own or hold individually or in the aggregate with other such failures do not have and cannot reasonably be expected to have a Material Adverse Effect.

(b) Seller has complied with the material terms and conditions of each license, permit and authorization required in connection with the conduct of the Business, and all such licenses, permits and authorizations are valid, binding and in full force and effect.

#### SECTION 2.5. Reinsurance. Set forth on Schedule 2.5 is a list of all

-----

reinsurance agreements relating to all or any portion of the Business. Each such

reinsurance agreement is in full force and effect and constitutes a legal, valid, and binding obligation of each party thereto. Seller has not received any written notice of termination or intention to terminate from any other party to such reinsurance agreements. Neither Seller nor, to the best knowledge of Seller, any other party to such reinsurance agreements is in violation or breach of or default under any such reinsurance agreements (or with or without notice or lapse of time or both, would be in violation or breach of or default under any such reinsurance agreements) other than those violations, breaches, or defaults that individually or in the aggregate with other such violations, breaches, or defaults do not have and cannot reasonably be expected to have a Material Adverse Effect.

#### SECTION 2.6. Litigation. Except as set forth on Schedule 2.6, there are no



-----  
actions, suits, investigations, arbitrations, or similar proceedings pending, or (to the knowledge of Eureko or Seller) threatened, against Eureko or Seller or any of their assets or properties, at law or in equity, in, before, or by any Governmental Entity other than actions, suits, investigations, arbitrations or proceedings that individually or in the aggregate with other such actions, suits, investigations, arbitrations or proceedings do not have and cannot reasonably be expected to have a Material Adverse Effect. There is no order, writ, judgment, injunction or decree outstanding against Eureko or Seller or any of their assets or properties other than orders, writs, judgments, injunctions or decrees that individually or in the aggregate with other such orders, writs, judgments, injunctions or decrees do not have and cannot reasonably be expected to have a Material Adverse Effect.

SECTION 2.7. Compliance with Laws. Seller is not in violation (or with or  
-----  
without notice or lapse of time or both, would be in violation) of any Law, order, writ, judgment, injunction or decree applicable to its Business, operations, affairs, assets or properties other than such violations which individually or in the aggregate with other such violations do not have and cannot reasonably be expected to have a Material Adverse Effect.

SECTION 2.8. Seller Financial Statements. Seller has previously delivered  
-----  
or made available to Buyer true and complete copies of the annual statements for Seller as of and for the years ended December 31, 1996 and 1997. Each such statement (i) was prepared in all material respects in accordance with the accounting practices required or permitted by the insurance regulatory authority in the applicable state, consistently applied throughout the specified period and in the comparable period in the immediately preceding year and (ii) presents fairly in all material respects the financial position of Seller as of the respective dates thereof and the related summary of operations and changes in capital and surplus and in cash flows of Seller for and during the respective  
  
periods covered thereby (subject, in the case of the quarterly statements, to normal year-end adjustments).

SECTION 2.9. Material Changes. Except as disclosed in Schedule 2.9, since  
-----  
December 31, 1997:

(a) there has not been, occurred, or arisen any change, event (including without limitation any damage, destruction, or loss, whether or not covered by insurance), condition, circumstance, or development of any character other than those that individually or in the aggregate with other such changes, events, conditions, circumstances, and developments do not have and cannot reasonably be expected to have a Material Adverse Effect; and

(b) Seller has conducted the Business solely in the ordinary course of business and consistent with past practice.

SECTION 2.10. Brokers' Fees and Commissions. Except for Merrill Lynch (all  
-----

of the fees, expenses, and other liabilities of which will be paid by Eureko or SLIC-Canada), neither Seller nor any of its directors, officers, employees or agents has employed any investment banker, broker or finder in connection with the Transactions.

ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF BUYER  
-----

Buyer makes the following representations and warranties to Eureko and Seller:

SECTION 3.1. Organization and Qualification. Buyer is a corporation duly  
-----

organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation, with all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted. Buyer is qualified or licensed to do business and is in good standing in each jurisdiction in which the ownership or leasing of property by it or the conduct of its business requires such licensing or qualification, except where the failure to be so qualified or licensed does not have and cannot reasonably be expected to have a Buyer Material Adverse Effect (as defined below). As used in this Agreement, the term "Buyer Material Adverse Effect" shall mean a material adverse effect on (i) the validity or enforceability of this Agreement or (ii) on Buyer's ability to perform its obligations under this Agreement.

SECTION 3.2. Authorization of Agreement; Binding Obligation. Buyer has all  
-----

requisite corporate power and authority to execute and deliver this Agreement and the Buyer Documents and to perform its obligations hereunder and thereunder. The execution and delivery by Buyer of this Agreement and the Buyer Documents and the performance by it of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been (and the Buyer Documents will be) duly executed and delivered by Buyer and, assuming the due execution and delivery of this Agreement and the Buyer Documents by the other parties hereto and thereto, constitutes (and each of the Buyer Documents will constitute) valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, except to the extent enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.3. No Conflicts. The execution and delivery of this Agreement  
-----

and the Buyer Documents by Buyer do not, and the performance by Buyer of its obligations hereunder and thereunder will not, (a) conflict with the articles or certificate of incorporation or by-laws of Buyer, (b) conflict with, result in any violation of, constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration under, any contract, permit, order, judgment or decree to which Buyer is a party other than those which individually or in the aggregate with other such conflicts, violations, defaults, and rights of termination, cancellation, and acceleration do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect, (c) subject to obtaining the approvals described on Schedule 3.3, constitute a violation of any Law applicable to Buyer, other than violations which individually or in the aggregate with other such violations do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect, (d) require Buyer to obtain or make any consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or other person or entity, other than (i) as described on Schedule 3.3 and (ii) those which the failure to obtain, make, or give individually or in the aggregate with other such failures do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect.

#### SECTION 3.4. Licenses.

-----

(a) Buyer owns or holds all licenses, permits and authorizations required in order to perform its obligations under this Agreement and the Buyer Documents other than those that the failure to own or hold individually or in the

aggregate with other such failures do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect.

(b) Buyer has complied with the material terms and conditions of each license, permit and authorization required in order to perform its obligations under this Agreement and the Buyer Documents, and all such licenses, permits and authorizations are valid, binding and in full force and effect.

#### SECTION 3.5. Brokers' Fees and Commissions. Neither Buyer nor any of its

-----

directors, officers, employees or agents has employed any investment banker, broker or finder in connection with the Transactions.

#### SECTION 3.6. Litigation. There are no actions, suits, investigations,

-----

arbitrations, or similar proceedings pending, or (to the knowledge of Buyer) threatened, against Buyer or any of its assets or properties, at law or in equity, in, before, or by any Governmental Entity other than actions, suits, investigations, arbitrations, or proceedings that individually or in the aggregate with other such actions, suits, investigations, arbitrations, and proceedings do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect. There is no order, writ, judgment, injunction or

decree outstanding against Buyer or any of its assets or properties other than orders, writs, judgments, injunctions or decrees that individually or in the aggregate with other such orders, writs, judgments, injunctions or decrees do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect.

SECTION 3.7. Compliance with Laws. Buyer is not in violation (or with or

-----  
without notice or lapse of time or both, would be in violation) of any Law, order, writ, judgment, injunction or decree applicable to its business, operations, affairs, assets or properties other than such violations which individually or in the aggregate with other such violations do not have and cannot reasonably be expected to have a Buyer Material Adverse Effect.

ARTICLE IV  
COVENANTS

-----  
Each of the parties hereto covenants and agrees that it shall comply with all covenants and provisions of this Article IV applicable to it, except to the extent (i) Buyer may otherwise consent in writing, (ii) otherwise required by applicable Law, or (iii) otherwise required or permitted by this Agreement.

SECTION 4.1. Access to Information. Prior to the Closing, Seller will

-----  
provide to the officers, employees, attorneys, accountants and other representatives of Buyer full access during normal business hours to the employees, agents, facilities and books and records of such entity reasonably related to this Agreement and the Transactions. Buyer will be permitted to make copies of such books and records at Buyer's sole expense as may be reasonably necessary in connection therewith.

SECTION 4.2. Conduct of Business. Except as otherwise provided by this

-----  
Agreement and except as set forth in Schedule 4.2, during the period from the date of this Agreement and continuing until the Closing Date:

(a) Seller shall carry on the Business in the usual, regular and ordinary course as presently conducted and consistent with past practice; and

(b) Seller shall use all commercially reasonable efforts to (i) maintain in full force and effect all licenses, permits and authorizations necessary to conduct the Business, (ii) keep available the services of the present employees of the Business, and (iii) maintain the goodwill associated with the Business, including but not limited to preserving the relationships with policyholders, agents, suppliers and others having business dealings with Seller.

SECTION 4.3. Consents. Each party hereto will (a) use all commercially

-----

reasonable efforts to obtain before Closing all consents, approvals, orders and authorizations of (and prepare and submit all filings and notifications to) every Governmental Entity and other person or entity necessary for such party to perform its obligations hereunder, and (b) cooperate with the other parties hereto in obtaining before Closing all consents, approvals, orders and authorizations of (and preparing and submitting all filings and notifications to) every Governmental Entity and other person or entity necessary for such other parties to perform their obligations hereunder.

SECTION 4.4. Public Announcements. At all times prior to the Closing Date,

-----

Buyer and Seller will consult with each other and will mutually agree (the agreement of each party not to be unreasonably withheld) upon the content and timing of any press release with respect to the Transactions and shall not issue any such press release prior to such consultation and agreement, except as may be required by applicable Law; provided, however, that, if possible, Buyer and

-----

Seller will give prior notice to the other party as promptly as practicable under the circumstances of the content and timing of any such press release required by applicable Law.

SECTION 4.5. Disclosure Supplements. From time to time prior to the

-----

Closing, each of the parties hereto will supplement or amend the schedules delivered in

connection herewith with respect to any matter which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described in any such schedule or which is necessary to correct any information in such schedule which has been rendered inaccurate thereby. If the Closing occurs, Buyer waives any right or claim it may otherwise have or have had on account of any matter so disclosed in such supplement or amendment.

SECTION 4.6. Financial Statements. As promptly as practicable until the

-----

Closing Date, Seller shall deliver to Buyer true and complete copies of each quarterly statement filed by Seller with its state of domicile for calendar quarters ended after December 31, 1997. Each such statement will be prepared in all material respects in accordance with the accounting practices required or permitted by the insurance regulatory authority in Indiana, consistently applied throughout the specified period and in the comparable period in the immediately preceding year.

SECTION 4.7. Administration. From and after the Closing Date, the Business

-----

will be administered pursuant to and in accordance with the terms of the Administrative Services Agreement.

SECTION 4.8. Reinsurance. Prior to the Closing Date, Seller shall use its

-----  
commercially reasonable efforts to obtain any endorsements from the reinsurers under all reinsurance agreements relating to the Business (other than the Indemnity Reinsurance Agreement) to ensure that Buyer is entitled to enforce such reinsurance agreements against the reinsurer in its own name; provided,

-----  
however, that Seller shall be under no obligation to make payments or incur

-----  
other liabilities to any person in connection with such endorsements. If Seller is unable to obtain such endorsements notwithstanding such efforts, Seller shall place Buyer in the same net economic position as if such endorsements had been obtained (by continuing to use commercially reasonable efforts to enforce its rights under such reinsurance agreements and ensuring that all benefits thereunder received, directly or indirectly, by the Seller flow to Buyer).

SECTION 4.9. Disclosure. Buyer and Seller shall (i) draft disclosure

-----  
materials describing the Transactions to be distributed to policyholders and contractholders of Seller in accordance with applicable Law and (ii) ensure that such materials are finalized by the Closing Date. As promptly as practicable after the Closing Date (but in no event more than 10 Business Days thereafter), Buyer shall distribute such materials by first class U.S. mail to all holders of insurance policies and annuity contracts constituting the Business.

ARTICLE V  
CONDITIONS TO CLOSING

-----  
SECTION 5.1. Conditions Precedent to Obligations of Buyer. The obligations

-----  
of Buyer under this Agreement to consummate the Transactions will be subject to the satisfaction, at or prior to Closing, of all of the following conditions, any one or more of which may be waived in whole or in part at the option of Buyer:

(a) Representations, Warranties and Covenants.

-----  
(i) All representations and warranties of Seller made in this Agreement or in any Exhibit, Schedule, certificate or document delivered pursuant to this Agreement shall be true and complete in all material respects as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date (except to the extent that they expressly relate only to an earlier time, in which case they shall have been true and complete as of such earlier time).

(ii) All of the terms, covenants and conditions to be complied with and performed by Seller on or prior to the Closing Date shall have been complied with or performed in all material respects.

(iii) Buyer shall have received a certificate, dated as of the Closing Date, executed by Seller, certifying that the conditions specified in Sections 5.1(a) (i) and (ii) have been satisfied.

(b) Closing Documents. Seller shall have executed and delivered the Seller  
-----  
Documents.

(c) No Injunction. There shall not be in effect on the Closing Date any  
-----  
writ, judgment, injunction, decree, or similar order of any court or governmental or regulatory authority restraining, enjoining, or otherwise preventing consummation of any of the Transactions in accordance with the terms of this Agreement.

(d) Consents. The consents, approvals, orders, authorizations, filings,  
-----  
and notifications described on Schedules 2.3 and 3.3 shall have been obtained or made.

SECTION 5.2. Conditions Precedent to Obligations of Seller. The  
-----  
obligations of Seller under this Agreement to consummate the Transactions will be subject to the satisfaction, at or prior to the Closing, of all the following conditions, any one or more of which may be waived at the option of Seller:

(a) Representations, Warranties and Covenants.  
-----

(i) All representations and warranties of Buyer made in this Agreement or in any Exhibit, Schedule, certificate or document delivered pursuant to this Agreement shall be true and complete in all material respects as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date (except to the extent that they expressly relate only to an earlier time, in which case they shall have been true and complete as of such earlier time).

(ii) All of the terms, covenants and conditions to be complied with and performed by Buyer on or prior to the Closing Date shall have been complied with or performed in all material respects.

(iii) Seller shall have received a certificate, dated as of the Closing Date, executed by Buyer, certifying that the conditions specified in Sections 5.2(a) (i) and (ii) have been satisfied.

(b) Closing Documents. Buyer shall have executed and delivered the Buyer  
-----  
Documents.

(c) No Injunction. There shall not be in effect on the Closing Date any

-----  
writ, judgment, injunction, decree, or similar order of any court or governmental or regulatory authority restraining, enjoining, or otherwise preventing consummation of any of the Transactions in accordance with the terms of this Agreement.

(d) Consents. The consents, approvals, orders, authorizations, filings, -----  
and notifications described on Schedules 2.3 and 3.3 shall have been obtained or made.

ARTICLE VI  
DOCUMENTS TO BE DELIVERED AT THE CLOSING  
-----

SECTION 6.1. Documents to be Delivered by Seller. At the Closing, Seller -----  
shall deliver to Buyer the following:

(a) Certified Resolutions. Certified resolutions of the Boards of -----  
Directors of Seller approving the execution and delivery of this Agreement and each of the other documents delivered by Seller pursuant hereto and authorizing the consummation of the Transactions.

(b) Officer's Certificate. The certificate, dated the Closing Date, -----  
duly executed by Seller as required by Section 5.1(a)(iii).

(c) Evidence of Approvals. Evidence of receipt of the consents and -----  
approvals described on Schedule 2.3.

SECTION 6.2. Documents to be Delivered by Buyer. At the Closing, Buyer -----  
shall deliver to Seller the following:

(a) Purchase Price. Evidence of a wire transfer in the amount of the -----  
Purchase Price in accordance with Section 1.2.

(b) Certified Resolutions. Certified resolutions of the Board of -----  
Directors of Buyer approving the execution and delivery of this Agreement and each of the other documents delivered by Buyer pursuant hereto and authorizing the consummation of the Transactions.

(c) Officer's Certificate. The certificate, dated the Closing Date, -----  
duly executed by Buyer as required by Section 5.2(a)(iii).



(d) Evidence of Approvals. Evidence of receipt of the consents and  
-----  
approvals described on Schedule 3.3.

ARTICLE VII  
TERMINATION AND ABANDONMENT  
-----

SECTION 7.1. Termination. This Agreement may be terminated and the  
-----  
Transactions may be abandoned at any time prior to the Closing:

(a) by mutual consent of Seller and Buyer; or

(b) by Seller or Buyer:

(i) if a court of competent jurisdiction or any Governmental  
Entity shall have issued an order, decree or ruling or taken any other

action (which order, decree or ruling the parties hereto shall use  
their best efforts to lift), in each case permanently restraining,  
enjoining or otherwise prohibiting the Transactions, and such order,  
decree, ruling or other action shall have become final and  
nonappealable; or

(ii) if the Closing shall not have occurred on or before April  
30, 1999; provided, however, that the right to terminate this  
-----

Agreement shall not be available to any party whose breach of this  
Agreement has been the cause of, or resulted in, the failure of the  
Closing to occur on or before such date.

SECTION 7.2. Procedure and Effect of Termination. In the event of  
-----  
termination and abandonment of the Transactions pursuant to Section 7.1, written  
notice thereof shall be given to the other parties to this Agreement and this  
Agreement shall terminate and the Transactions shall be abandoned, without  
further action by any of the parties hereto. If this Agreement is terminated as  
provided herein:

(a) Upon request therefor, each party will redeliver all documents,  
work papers and other material of any other party relating to the Transactions,  
whether obtained before or after the execution hereof, to the party furnishing  
the same; and

(b) No party hereto shall have any liability or further obligation to  
any other party to this Agreement resulting from such termination except (i)  
that the provision of this Section 7.2 and Sections 10.4 and 10.13 shall remain

in full force and effect, and (ii) no party waives any claim or right against a breaching party to the extent that such termination results from the breach by a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement.

ARTICLE VIII  
SURVIVAL OF PROVISIONS  
-----

SECTION 8.1. Survival. (a) The representations and warranties required to  
-----

be made by Seller and Buyer in this Agreement or in any certificate delivered pursuant hereto will expire on the first anniversary of the Closing Date, except that (i) the representations and warranties of Seller set forth in Section 2.10 hereof will survive until 30 days after the expiration of all statutes of limitation applicable to such Section and (ii) the representations and warranties of Buyer set forth in Section 3.5 hereof will survive until 30 days after the expiration of all statutes of limitation applicable to such Section. Notwithstanding the foregoing, any representation or warranty shall survive the time it would otherwise terminate pursuant to this Section to the extent that notice

of a breach thereof giving rise to a right of indemnification shall have been given by a party hereto prior to the expiration of the relevant survival period in accordance with Article IX below.

(b) Eureko's obligation to indemnify Buyer against Company Extra Contractual Obligations (as defined in the Indemnity Reinsurance Agreement) shall terminate and expire on the second anniversary of the Closing Date, other than such claims for which a notice of claim has been given by Buyer to Eureko prior to such expiration date.

ARTICLE IX  
INDEMNIFICATION  
-----

SECTION 9.1. Indemnification by Eureko. Subject to the provisions of  
-----

Sections 8.1, 9.3, and 9.4 hereof, Eureko shall indemnify and hold harmless Buyer for any and all monetary damages, charges, losses, deficiencies, liabilities, obligations, costs, fees, and expenses (including, without limitation, reasonable fees and disbursements of counsel incident to the enforcement of rights under Section 9.1 or 9.2 hereof) (collectively, "Damages") resulting from or relating to (i) any breach by Seller or Eureko of any representation, warranty, covenant, or agreement made by Seller or Eureko in this Agreement, the Indemnity Reinsurance Agreement or the Administrative Services Agreement, and (ii) any Company Extra Contractual Obligations (as defined in the Indemnity Reinsurance Agreement) arising from actions or

omissions prior to the Closing Date.

SECTION 9.2. Indemnification by Buyer. Subject to the provisions of  
-----

Sections 8.1, 9.3, and 9.4 hereof, Buyer shall indemnify and hold harmless Seller in respect of any and all Damages resulting from or relating to (i) any breach by Buyer of any representation, warranty, covenant, or agreement made by Buyer in this Agreement, the Indemnity Reinsurance Agreement or the Administrative Services Agreement, (ii) all Policy Liabilities (as defined in the Indemnity Reinsurance Agreement), (iii) any claims that constitute Reinsurer Extra Contractual Obligations (as defined in the Indemnity Reinsurance Agreement), and (iv) any claims that constitute Company Extra Contractual Obligations as to which Eureko's indemnification obligation has expired pursuant to Section 8.1(b) hereof.

SECTION 9.3. Limitations on Indemnification.  
-----

(a) No claim by any person for indemnification under this Article IX (an "Indemnitee") against any person (an "Indemnifying Party"), relating to a breach

of a representation or warranty made in this Agreement may be made unless notice of such breach is given in accordance with this Article IX prior to the time the survival period for such representation or warranty expired.

(b) If an Indemnitee recovers from any third party (including insurers) all or any part of any amount paid to it by an Indemnifying Party pursuant to Section 9.1 or 9.2 hereof, such Indemnitee will promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the full amount of the expenses incurred by it in procuring such recovery, including any taxes and net of any tax benefit resulting from such recovery and payment), but not in excess of any amount previously so paid by the Indemnifying Party. If an Indemnitee recovers from any third party (including insurers) any amount as to which indemnification may be claimed pursuant to Section 9.1 or 9.2 hereof, such Indemnitee will have no right to claim indemnification for such amount from the Indemnifying Party.

(c) The Indemnitee shall prosecute diligently and in good faith any claim for indemnification with any applicable third party (including insurers) prior to collecting any indemnification payment pursuant to Section 9.1 or 9.2 hereof.

(d) Eureko shall be obligated to provide indemnification on account of (i) any misrepresentation or breach of warranty referred to in Section 9.1 and (ii) Company Extra Contractual Obligations only to the extent that the aggregate dollar amount of Damages with respect thereto exceeds \$332,800.

(e) The maximum aggregate liability of Eureko for indemnification for all Damages subject to indemnification under this Article IX including, without

limitation, any amount paid pursuant to Section 9.3(d) shall be \$2,912,000.

SECTION 9.4. Notice of Defense of Claims. Promptly after receipt of

-----

notice of any claim or Damages for which an Indemnatee seeks indemnification under this Article, such Indemnatee shall give written notice thereof to the Indemnifying Party, but such notification shall not be a condition to indemnification hereunder except to the extent of actual prejudice to the Indemnifying Party. The notice shall state the information then available regarding the amount and nature of such claim or Damages and shall specify the provision or provisions of this Agreement under which the right to indemnification is asserted. If within 30 days after receiving such notice the Indemnifying Party gives written notice to the Indemnatee stating that it intends to defend against such claim or Damages at its own cost and expense, then defense of such matter, including selection of counsel (subject to the consent of the Indemnatee, which consent shall not be unreasonably withheld), shall be by the Indemnifying Party and the Indemnatee shall make no payment in respect of such claim or Damages as long as the

Indemnifying Party is conducting a good faith and diligent defense. Notwithstanding the foregoing, the Indemnatee shall at all times have the right to fully participate in such defense at its own expense directly or through counsel; provided, however, if the named parties to the action or proceeding

-----

include both the Indemnifying Party and the Indemnatee and representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct, the expenses of one separate counsel for the Indemnatee shall be paid by the Indemnifying Party. If no such notice of intent to dispute and defend is given by the Indemnifying Party, or if such diligent good faith defense is not being or ceases to be conducted, the Indemnatee shall, at the expense of the Indemnifying Party, undertake the defense of such claim or Damages with counsel selected by the Indemnatee, and shall have the right to compromise or settle the same exercising reasonable business judgment with the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnatee shall make available all information and assistance that the Indemnifying Party may reasonably request and shall cooperate with the Indemnifying Party in such defense. Notwithstanding anything herein to the contrary, the Indemnifying Party shall have the right to settle all claims of third parties for which indemnification is payable hereunder without the consent of the Indemnatee so long as such settlement releases the Indemnatee from all liability for or in connection with such action and does not materially and adversely impair the ability of the Indemnatee to carry on its business and does not contain any admission of wrong doing on the part of the Indemnatee.

ARTICLE X

MISCELLANEOUS PROVISIONS

-----

SECTION 10.1. Amendment and Modification. This Agreement may be amended,

-----  
modified or supplemented by a written instrument signed by the parties hereto.

SECTION 10.2. Waiver of Compliance; Consents. Any failure of Buyer, on  
-----

the one hand, or of Seller on the other hand, to comply with any obligation, covenant, agreement or condition contained herein may be waived in writing by Seller or Buyer, respectively, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any other failure.

SECTION 10.3. Validity. The invalidity or unenforceability of any  
-----

provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

SECTION 10.4. Expenses and Obligations. All costs and expenses incurred  
-----

in connection with the consummation of the Transactions by Buyer shall be paid by Buyer, and all costs and expenses incurred in connection with the consummation of the Transactions by Seller shall be paid by Seller. Buyer shall pay the cost of the filing fees in connection with the filings by any of the parties hereto under the HSR Act with respect to the Transactions.

SECTION 10.5. Notices. Any notice or other communication given pursuant  
-----

to this Agreement must be in writing and (a) delivered personally, (b) sent by facsimile or other similar facsimile transmission, (c) delivered by overnight express, or (d) sent by registered or certified mail, postage prepaid, as follows:

If to Buyer, to:

Life Re Corporation  
969 High Ridge Road, Stamford CT 06905  
Attention: W. Weldon Wilson  
Facsimile No.: (203)968-0920

If to Eureko, to:

Eureko, B.V.  
Entrada 111, P. O. Box 94215  
1090 GE Amsterdam  
The Netherlands  
Attention: Jeff Medlock  
Fax: 011-31-20-6903-481

with a copy to:

Sutherland, Asbill & Brennan LLP  
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2415  
Attention: David A. Massey, Esq.  
Facsimile No.: (202) 637-3593

If to Seller, to:

Seaboard Life Insurance Company (USA)  
525 South Meridian  
Indianapolis, Indiana 46225-1125  
Attention: President  
Facsimile No.: (317) 238-5611

with a copy to:

Sutherland, Asbill & Brennan LLP  
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2415  
Attention: David A. Massey, Esq.  
Facsimile No.: (202) 637-3593

All notices and other communications required or permitted under this Agreement that are addressed as provided in this Section will (A) if delivered personally or by overnight express, be deemed given upon delivery; (B) if delivered by facsimile or similar facsimile transmission, be deemed given when electronically confirmed; and (C) if sent by registered or certified mail, be deemed given when received. Any party from time to time may change its address for the purpose of notices to that party by giving a similar notice specifying a new address, but no such notice will be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

SECTION 10.6. Governing Law. This Agreement shall be governed by and  
-----  
construed in accordance with the Laws of the State of Indiana.

SECTION 10.7. No Third Party Beneficiary. The terms and provisions of this  
-----  
Agreement are intended solely for the benefit of Eureko, Seller, Buyer, and their respective successors and permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity.

SECTION 10.8. Counterparts. This Agreement may be executed in two or more  
-----  
counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

SECTION 10.9. Headings. The article and section headings contained in this  
-----

Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.10. Entire Agreement. This Agreement (including the Exhibits  
-----

and Schedules attached hereto), the Indemnity Reinsurance Agreement, and the Administrative Services Agreement embody the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein or therein. There are no agreements, representations, warranties or covenants other than those expressly set forth herein or therein. This Agreement (including the Exhibits and Schedules attached hereto), the Indemnity Reinsurance Agreement, and the Administrative Services Agreement supersede all prior agreements and understandings between the parties with respect to such subject matter.

SECTION 10.11. Assignment. Neither this Agreement nor any right or  
-----

obligation hereunder or part hereof may be assigned by any party hereto without the prior written consent of the other party hereto (and any attempt to do so will be void), except as otherwise specifically provided herein.

SECTION 10.12. Jurisdiction and Venue. The parties hereto agree that any  
-----

suit, action or proceeding arising out of or relating to this Agreement shall be instituted only in the United States District Court for the Southern District of Indiana or any Indiana court sitting in Indiana. Each party waives any objection it may have now or hereafter to the laying of the venue of any such suit, action or proceeding, and irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding.

SECTION 10.13. Confidentiality. From and after the date hereof, Buyer  
-----

shall refrain, and shall cause its officers, directors, employees, agents, auditors, counsel, affiliates and other representatives (collectively, "Representatives") to refrain, from directly or indirectly:

(a) disclosing to any person or entity (other than Buyer's Representatives) the terms and conditions of this Agreement or any records, files, documents, data (including without limitation claims or loss data), or information concerning Seller or its affiliates that Buyer prepares, maintains, uses, or receives in connection with the transactions contemplated by this Agreement, unless (i) disclosure is compelled by any court or administrative agency or by other applicable requirements of law or (ii) such records, files, documents, data, or information can be shown to have been (x) generally available to the public other than as a result of a disclosure by Buyer or its Representatives or (y) available to Buyer on a non-confidential basis from a source other than Seller or its Representatives, provided that such source is not known

by Buyer to be bound by a confidentiality agreement with, or other obligation of secrecy of, Seller or another party; or

(b) using such records, files, documents, data or information for any purpose (including without limitation directly or indirectly competing with Seller or any affiliate thereof) except pursuant to this Agreement.

Notwithstanding the foregoing, from and after the Closing Date, Buyer shall be entitled to use information concerning, derived from, or related to the Business for any lawful purpose in connection with the transaction of Buyer's business under the Indemnity Reinsurance Agreement, provided that Buyer shall comply with all Laws applicable to the use of such information (including, without limitation, Laws relating to the use of such information that would otherwise be applicable to Seller as the issuer of the insurance policies and annuity contracts constituting the Business).

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed on its behalf by its duly authorized officers, all as of the day and year first above written.

LIFE REASSURANCE CORPORATION  
OF AMERICA

By: \_\_\_\_\_  
Name:  
Title:

EUREKO B.V.

By: \_\_\_\_\_  
Name:  
Title:

SEABOARD LIFE INSURANCE  
COMPANY (USA)

By: \_\_\_\_\_  
Name:  
Title:

Exhibit A

Description of Life Insurance Policies and Annuity Contracts  
-----

- A. All individual life insurance policies and annuity contracts issued or assumed by Seller.



- B. All group life insurance certificates acquired with California Casualty & Life Insurance Company which are in force under waiver of premium benefit provisions.
- C. California Casualty & Life Insurance Company Pension Certificate A and B monthly payments.

Schedule 2.3

Governmental Approvals

-----

Approval of California Department of Insurance  
Approval of Indiana Department of Insurance  
Approval of Wisconsin Department of Insurance

Schedule 2.5

Reinsurance

-----

Policies issued by Seller:

-----

Swiss Re Life & Health #A044-89 dated January 1, 1989  
Swiss Re Life & Health #A057-90 dated November 1, 1989  
Swiss Re Life & Health #AF111-91 dated February 1, 1991  
  
Transamerica Occidental Life #6302-3 dated August 1, 1988  
Transamerica Occidental Life #6302-4 dated January 1, 1991  
Transamerica Occidental Life #6302-14 dated January 1, 1995  
  
Munich American Reassurance Company #1488 dated May 1, 1997

Policies acquired with Enumclaw Life Insurance Company:

-----

Connecticut General Life dated May 1, 1989  
  
Transamerica Occidental Life dated August 1, 1973  
Transamerica Occidental Life #2118-2 dated October 1, 1986  
Transamerica Occidental Life #2118-3 dated March 1, 1988  
Transamerica Occidental Life #2118-4 dated October 1, 1988  
Transamerica Occidental Life #2118-5 dated January 1, 1989

Policies acquired with California Casualty & Life:

-----

Lincoln National Life dated July 1, 1972

Lincoln National Life dated October 1, 1984

Lincoln National Life dated March 1, 1987

Transamerica Occidental Life #6302-15 dated November 1, 1967

Munich American Reassurance dated December 21, 1966

Schedule 2.6

Litigation

-----

None.

Schedule 2.9

Material Changes

-----

Seller ceased accepting new individual life insurance policies and annuity contracts on October 1, 1998.

Schedule 3.3

Governmental Approvals

-----

None.

Schedule 4.2

Conduct of Business Exceptions

-----

The Seller shall not accept new individual life insurance policies or annuity contracts after the date of this Agreement.

## ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is made and entered into as of December 29, 1998, by and among Seaboard Life Insurance Company, a Canadian federal insurance company ("SLIC-Canada"), Seaboard Life Insurance Company (USA), an Indiana insurance company and a direct wholly owned Subsidiary of SLIC-Canada (the "Seller"), and Life Reassurance Corporation of America, a Connecticut insurance company ("the Administrator").

## RECITALS:

WHEREAS, the Seller and the Administrator are concurrently herewith entering into a purchase agreement (the "Purchase Agreement"), which agreement calls for, among other things, the provision of administrative services described in this Agreement;

WHEREAS, the Seller and the Administrator are concurrently herewith entering into an indemnity reinsurance agreement (the "Indemnity Reinsurance Agreement"), pursuant to which the Seller shall cede to the Administrator, on a 100% coinsurance basis, the Seller's rights, liabilities, and obligations in respect of the life insurance and annuity products identified in the Indemnity Reinsurance Agreement (the "Reinsured Policies");

WHEREAS, in connection with the Indemnity Reinsurance Agreement, the parties hereto desire that the Administrator perform, after the date which is 180 days after the Closing Date (the "Service Transition Date"), all services required for complete support and administration of the Reinsured Policies on behalf of the Seller in accordance with the terms and subject to the conditions of this Agreement; and

WHEREAS, SLIC-Canada is currently performing certain administrative services with respect to the Reinsured Policies of the Seller;

WHEREAS, the parties hereto desire to cooperatively provide for an orderly transition in the performance of administrative services to the Administrator, and the Seller and SLIC-Canada are willing to provide certain transitional services from and after the Closing Date to the Service Transition Date so as to enable the Administrator

to provide Administrative Services (as hereinafter defined) with respect to the Reinsured Policies.

NOW, THEREFORE, in consideration of the transactions contemplated pursuant to the Purchase Agreement and the Indemnity Reinsurance Agreement and the mutual covenants and promises contained herein and for other good and valuable

consideration, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I  
DEFINITIONS

-----

Unless otherwise defined herein, capitalized terms used herein shall have the meanings given them in the Purchase Agreement and the Indemnity Reinsurance Agreement.

ARTICLE II  
SERVICES; COMPENSATION

-----

SECTION 2.1. Support Services. During the period from the Closing

-----

Date to the Service Transition Date (the "Transition Period"), SLIC-Canada shall provide to the Seller all services being provided by SLIC-Canada to Seller as of the date hereof, including but not limited to the services set forth on Exhibit

-----

A hereto (the "Support Services"), it being understood that any and all previous

-

arrangements between SLIC-Canada and the Seller regarding services to be rendered are terminated and replaced by this Agreement.

SECTION 2.2. Compensation for Support Services. As compensation for

-----

the Support Services provided by SLIC-Canada hereunder, the Seller shall pay, or cause to be paid, to SLIC-Canada a fee equal to 100% of SLIC-Canada's actual cost of performing such Support Services (including without limitation any fees or expenses paid by SLIC-Canada to consultants or other third parties in connection with the provision of the Support Services). In determining such actual cost, it is understood that the Seller will be charged for the actual cost of any materials required for the rendering of Support Services, plus an allocable portion (based on time devoted to the rendering of Support Services) of the salaries of SLIC-Canada employees engaged, and the indirect expenses (including without limitation the following expense categories: employee benefits, payroll, taxes, rent, supplies and other overhead expenses incurred

by SLIC-Canada, in the rendering of Support Services), (such costs, collectively, being referred to as SLIC-Canada's "Fully Loaded Costs").

SECTION 2.3. Data Conversion Services.

-----

(a) Data Conversion Services. During the Transition Period, SLIC-

-----

Canada will (i) provide the Administrator with reasonable access for the Administrator, through its own efforts, to plan and move the data associated with the Reinsured Policies from SLIC-Canada's computer systems to the Administrator's computer systems, (ii) respond to the Administrator's questions on product design and/or processing logic and (iii) provide a reasonable amount of business analyst/system expertise to consult in the data migration effort (collectively, the "Data Conversion Services"). SLIC-Canada is making such Data Conversion Services available to the Administrator as an accommodation and, in no event, will SLIC-Canada's liability for any damages whatsoever arising from SLIC-Canada's delivery of, or failure to deliver, the Data Conversion Services exceed the total price actually paid by the Seller for the Data Conversion Services.

(b) Transition Matters.  
-----

(i) SLIC-Canada will provide the Data Conversion Services for the Transition Period.

(ii) Prior to the Closing Date, the Administrator and SLIC-Canada will use their respective commercially reasonable efforts to jointly develop a detailed plan for the data conversion contemplated by Section 2.3(a).

(c) Fees for Data Conversion Services. The fees charged by SLIC-  
-----

Canada for the Data Conversion Services will not exceed SLIC-Canada's Fully Loaded Costs for providing such services.

(d) Orderly Transfer. SLIC-Canada will use its commercially  
-----

reasonable efforts to assist and cooperate with the Administrator in the orderly transfer of the Business. SLIC-Canada will provide the Administrator a reasonable level of access to SLIC-Canada's personnel skilled in delivering the Data Conversion Services for purposes of general consultation and knowledge transfer related to the Business. All costs of such transfer, including all applicable taxes, will be borne by the Administrator.

(e) Data. The Administrator acknowledges that SLIC-Canada will  
----

archive all data related to the Business consistent with its current practices.

SECTION 2.4. Transition Services. From and after the Closing Date  
-----

and until the Service Transition Date, the Seller shall provide, or arrange to provide all services (excluding the Support Services and the Data Conversion Services) required for complete support and administration of all Reinsured Policies (the "Transition Services").

SECTION 2.5. Compensation for Services. As compensation for the  
-----

Transition Services provided by the Seller hereunder, the Administrator shall pay, or cause to be paid, to the Seller a fee equal to 100% of the Seller's actual cost of performing such Transition Services (including without limitation any fees or expenses paid by the Seller to consultants or other third parties in connection with the provision of the Transition Services). In determining such actual cost, it is understood that the Administrator will be charged for the actual cost of any materials required for the rendering of Transition Services, plus an allocable portion (based on time devoted to the rendering of Transition Services) of the salaries of the Seller's employees engaged, and the indirect expenses (including without limitation the following expense categories: employee benefits, payroll, taxes, rent, supplies and other overhead expenses incurred by the Seller, in the rendering of Transition Services), such costs, collectively, being referred to as the Seller's "Fully Loaded Costs." In addition, the Administrator shall pay to Seller the amount of fees paid by Seller to SLIC-Canada under Section 2.2 and 2.3; provided, that in no event shall the aggregate amount paid by the Administrator pursuant to this Section 2.5 exceed the expense levels reflected in the "Actuarial Appraisal of Seaboard Life Insurance Company (USA) dated May 12, 1998 as of December 31, 1997 prepared by Milliman & Robertson."

SECTION 2.6. Payment Procedures. On or before the 15th day of each  
-----

month, SLIC-Canada shall provide the Seller with a reasonably detailed invoice setting forth amounts due with respect to the Support Services and Data Conversion Services provided hereunder during the immediately preceding month. On or before the 20th day of each month, Seller shall provide the Administrator with a reasonably detailed invoice setting forth amounts due with respect to the Transition Services, Support Services and Data Conversion Services provided hereunder during the immediately preceding month. Within ten Business Days after receipt by the Administrator of each such invoice, the Administrator shall pay to the Seller in cash the amounts payable to Seller and SLIC-Canada. Within twenty Business Days after receipt by the Seller of SLIC-Canada's invoice required by the first sentence of this Section 2.6, Seller shall pay to SLIC-Canada the amounts payable to SLIC-Canada as reflected in such invoice.

SECTION 2.7. Administrative Services. From and after the Service  
-----

Transition Date the Administrator shall provide to the Seller all services required for complete support and administration of all Reinsured Policies, including without limitation the services set forth on Exhibit B hereto (the  
-----  
"Administrative Services").

SECTION 2.8. Compensation for Administrative Services. The  
-----

Administrator shall provide the Administrative Services in consideration of the execution and delivery by the Seller of the Purchase Agreement and the Indemnity Reinsurance Agreement and the consummation of the transactions contemplated thereby, and the Administrator shall neither impose on the Seller nor otherwise be entitled to receive any additional or separate consideration for the

provision of Administrative Services in accordance with this Agreement.

ARTICLE III  
PERFORMANCE STANDARDS; AUTHORITY  
-----

SECTION 3.1. Performance Standards. SLIC-Canada shall provide the  
-----

Support Services, the Seller shall provide the Transition Services, and the Administrator shall provide the Administrative Services (i) at a level of accuracy and responsiveness not less favorable than the practices of such party in administering products comparable to the Reinsured Policies issued by it or serviced by it for other companies prior to and during the term of this Agreement, (ii) in accordance with all applicable Laws and insurance department requirements, (iii) in accordance with industry standards in effect as of the date hereof and (iv) as the parties may agree in writing from time to time.

SECTION 3.3. Authority. The Administrator shall perform the  
-----

Administrative Services in the name and on behalf of the Seller only as provided in this Agreement or as directed by the Seller in writing. Except as specifically set forth in this Agreement or authorized by the Seller in writing, the Administrator shall not have authority to issue new insurance policies or annuity contracts in the name of the Seller (except for reinstatements, conversion policies or riders currently provided for under the Reinsured Policies) or enter into any agreements on the Seller's behalf. None of the terms or provisions of this Agreement shall prohibit the Administrator or any of its affiliates from conducting business of whatever nature in their own names and on behalf of any person or entity other than the Seller.

ARTICLE IV  
SUPERVISION; PERSONNEL; FACILITIES AND COSTS  
-----

SECTION 4.1. Supervision by Board of Directors. The Administrator  
-----

acknowledges that the Board of Directors of the Seller is vested with the power, authority and responsibility for managing the business and affairs of the Seller, including administrative services. The Administrator acknowledges that any and all actions or services, whether supervisory or ministerial, taken or provided pursuant to this Agreement by the Administrator shall be subject to the continuous supervision by the Board of Directors of the Seller and, to the extent designated by such Board of Directors, the appropriate designated officers of the Seller.

SECTION 4.2. Personnel. The Administrator shall furnish all  
-----

personnel necessary to provide the Administrative Services.

SECTION 4.3. Facilities. The Administrative Services shall be

-----

performed by Administrator using furniture, fixtures, and equipment (including computer hardware) owned or leased by the Administrator (collectively, the "Facilities"). All Facilities owned by Administrator shall remain the property of Administrator, and the Seller acknowledges and agrees that it shall not have any right, title, or interest in or to the Facilities.

SECTION 4.4. Systems. The Administrator shall furnish all Systems

-----

(as hereinafter defined) that are necessary for the Administrator to provide the Administrative Services. The term "Systems" shall mean all computer programs and programming aids (together with supporting documentation), including without limitation input and output formats, program listings, systems flow charts, narrative descriptions, operating instructions, and the tangible media upon which such programs are recorded.

SECTION 4.5. Costs. The Administrator shall pay all personnel and

-----

other costs and expenses to provide the Administrative Services (including without limitation all applicable filing and similar fees).

ARTICLE V

MAINTENANCE OF RECORDS

-----

SECTION 5.1. Transfer of Records. Within ten Business Days after the

-----

Service Transition Date or on such other date as the parties may agree, the Seller shall forward to the Administrator (at the Administrator's expense) all reports, records, underwriting files, policy files, claims files and information in any form in its possession relating to the Reinsured Policies (the "Transferred Records"). All of such Transferred Records shall remain the property of the Seller or the party on whose behalf the Seller is maintaining such records, as applicable. Such Transferred Records

shall be available (at their place of keeping) for inspection, examination, and audit by the Seller (and its representatives) at all reasonable times. The Administrator shall provide to the Seller (a) at the Administrator's expense, copies of such Transferred Records as may be reasonably required in connection with the preparation of the Seller's financial statements, state and federal income and other tax returns, and any other filings or reports required to be filed with, or requested by, state or federal regulatory authorities or any rating agencies and (b) at the Seller's expense, copies of such Transferred Records for any other reason.

SECTION 5.2. Maintenance of Records. The Administrator agrees to (a)

-----

maintain a true and complete set of books and records relating to all



transactions under this Agreement and (b) preserve such books and records for the term of this Agreement plus five years thereafter (or such longer period as may be required by applicable Law). The Administrator shall maintain such books and records and the Transferred Records at the Administrator's expense and in accordance with prudent standards of insurance recordkeeping and all applicable Laws. The books and records shall be available (at their place of keeping) for inspection, examination, and audit by the Seller and state and federal regulatory authorities (in each case together with their respective representatives) at all reasonable times. The Administrator shall furnish to the Seller (i) at the Administrator's expense, copies of any books or records relating to the transactions under this Agreement as may be reasonably required by the Seller in connection with the preparation of the Seller's financial statements, state and federal income and other tax returns, and any other filings or reports required to be filed with, or requested by, state or federal regulatory authorities or any rating agencies and (ii) at the Seller's expense, copies of any such books and records for any other reason.

ARTICLE VI  
REGULATORY MATTERS  
-----

SECTION 6.1. Compliance with Applicable Laws. Each of the parties  
-----

hereto agrees to comply with all applicable Laws as they apply to the performance of such party's obligations under this Agreement.

SECTION 6.2. Licensing. The Administrator hereby represents and  
-----

warrants to the Seller that the Administrator has all licenses, qualifications, and other authorizations necessary to provide the Administrative Services to or on behalf of the Seller. At all times during the term of this Agreement, the Administrator shall maintain in full force and effect all licenses, qualifications, and other authorizations necessary under applicable Laws to provide the Administrative Services to or on behalf

of the Seller. The Administrator agrees to provide the Seller with copies of any such documents upon request.

SECTION 6.3. Regulatory Approvals; Closing Under Purchase Agreement.  
-----

The effectiveness of this Agreement is conditioned upon (i) the receipt of all required regulatory approvals and (ii) the closing of the transactions contemplated by the Purchase Agreement.

ARTICLE VII  
TERM; TERMINATION  
-----

SECTION 7.1. Term. This Agreement shall be effective as of the

-----

Effective Date, and shall remain in full force and effect until terminated in accordance with Section 7.2 below.

SECTION 7.2. Termination by the Seller. The Seller may terminate

-----

this Agreement immediately, by delivery of written notice to the Administrator, upon the occurrence of any of the following events:

(a) The Administrator pursuant to or within the meaning of Title 11, U.S. Code, or any similar federal, state or foreign Law for the relief of debtors, including without limitation any state insolvency or rehabilitation statutes (collectively, "Bankruptcy Laws"):

- (1) commences a voluntary case or proceeding;
- (2) consents to the entry of an order for relief against it in an involuntary case or proceeding;
- (3) consents to the appointment of a custodian of it or for all or for a substantial part of its property;
- (4) makes a general assignment for the benefit of its creditors; or
- (5) fails to contest any involuntary case or proceeding filed against it within the time period fixed by any applicable rules, and any extensions granted by the court where such involuntary case or proceeding is pending; or

(b) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that remains unstayed and in effect for 60 days and that:

- (1) is for relief against the Administrator in an involuntary case or proceeding;
- (2) appoints a custodian of the Administrator or a custodian for all or for a substantial part of the property of the Administrator; or
- (3) orders the liquidation of the Administrator; or

(c) Failure by the Administrator to comply with any material provision of this Agreement which has not been corrected within 60 days after written notice thereof is delivered to the Administrator by the Seller.

SECTION 7.3. Effect of Termination. Upon termination of this

-----

Agreement, Administrator shall take all steps necessary to arrange for a third-

party administrator reasonably acceptable to the Seller to provide all services required to be provided hereunder, such services to be performed pursuant to an agreement reasonably acceptable to the Seller, all at the cost of the Administrator. In addition, in the event of any such termination, (i) no party hereto shall be relieved of any liability for any breach of any provision of this Agreement, (ii) any amounts owing hereunder by either party hereto to the other party hereto shall be immediately due and payable (pro-rated for any partial periods), and (iii) all rights and obligations hereunder will terminate except that Articles V, VIII and IX and Sections 7.3, 10.2 and 10.4 hereof will continue to survive any such termination.

ARTICLE VIII  
INDEMNIFICATION

-----

SECTION 8.01. Indemnification between the Seller and the

-----

Administrator. The indemnification rights of the Seller and the Administrator  
-----  
are set forth in the Purchase Agreement.

SECTION 8.02. Indemnification among SLIC-Canada, Seller and the

-----

Administrator. (a) From and after the Closing Date, SLIC-Canada hereby agrees  
-----  
to indemnify, defend and hold harmless Seller and the Administrator and each of their respective directors, officers, employees, representatives, Affiliates, successors and permitted assigns from and against all Losses (as hereinafter defined) asserted against,

imposed upon or incurred by such person arising from (i) any breach or nonfulfillment by SLIC-Canada of, or any failure by SLIC-Canada to perform, any of the covenants, terms or conditions of, or any of its duties or obligations under, this Agreement; and (ii) any enforcement of this indemnity.

(b) From and after the Closing Date, the Administrator hereby agrees to indemnify, defend and hold harmless SLIC-Canada and its respective directors, officers, employees, representatives, Affiliates, successors and permitted assigns from and against all Losses (as hereinafter defined) asserted against, imposed upon or incurred by such person arising from (i) any breach or nonfulfillment by the Administrator, of, or any failure by the Administrator to perform, any of the covenants, terms or conditions of, or any of its duties or obligations under, this Agreement, or (ii) any enforcement of this indemnity.

(c) From and after the Closing Date, Seller hereby agrees to indemnify, defend and hold harmless SLIC-Canada and its respective directors, officers, employees, representatives, Affiliates, successors and permitted assigns from and against all Losses (as hereinafter defined) asserted against, imposed upon or incurred by such person arising from (i) any breach or

nonfulfillment by Seller, of, or any failure by Seller to perform, any of the covenants, terms or conditions of, or any of its duties or obligations under, this Agreement, or (ii) any enforcement of this indemnity.

(d) As used in this Section, "Loss" and/or "Losses" shall mean actions, claims, losses, liabilities, damages, costs, expenses (including reasonable attorneys' fees), interest and penalties. The parties shall follow the procedures set forth in Sections 9.3 and 9.4 of the Purchase Agreement with respect to any claim for indemnification under the terms of this Agreement.

ARTICLE IX  
CONFIDENTIALITY

SECTION 9.1. Administrator's Confidentiality Obligation. From and

after the date hereof, the Administrator shall refrain, and shall cause its officers, directors, employees, agents, auditors, counsel, affiliates and other representatives (collectively, the "Administrator's Representatives") to refrain, from directly or indirectly:

(a) disclosing to any person or entity (other than the Administrator's Representatives) the terms and conditions of this Agreement or any records, files,

documents, data (including without limitation claims or loss data), or information concerning the Seller or its affiliates that the Administrator prepares, maintains, uses, or receives in connection with the transactions contemplated by this Agreement, unless (i) disclosure is compelled by any court or administrative agency or by other applicable requirements of Law or (ii) such records, files, documents, data, or information can be shown to have been (x) generally available to the public other than as a result of a disclosure by the Administrator or the Administrator's Representatives or (y) available to the Administrator on a non-confidential basis from a source other than the Seller or its Representatives, provided that such source is not known by the Administrator to be bound by a confidentiality agreement with, or other obligation of secrecy of, the Seller or another party; or

(b) using such records, files, documents, data or information for any purpose (including without limitation directly or indirectly competing with the Seller or any affiliate thereof) except pursuant to this Agreement.

Notwithstanding the foregoing, the Administrator shall be entitled to use information concerning, derived from, or related to the Business for any lawful purpose in connection with the transaction of the Administrator's business under the Indemnity Reinsurance Agreement, provided that the Administrator shall comply with all Laws applicable to the use of such information (including, without limitation, Laws relating to the use of such information that would otherwise be applicable to the Seller as the issuer of the Reinsured Policies).

SECTION 9.2. Seller's and SLIC-Canada's Confidentiality Obligation.

-----  
From and after the date hereof, the Seller and SLIC-Canada shall refrain, and shall cause their respective officers, directors, employees, agents, auditors, counsel, affiliates and other representatives (collectively, the "Representatives") to refrain, from directly or indirectly:

(a) disclosing to any person or entity (other than the Seller's or SLIC-Canada's Representatives) the terms and conditions of this Agreement or any records, files, documents, data (including without limitation claims or loss data), or information concerning the Administrator or its affiliates that the Seller or SLIC-Canada prepares, maintains, uses, or receives in connection with the transactions contemplated by this Agreement, unless (i) disclosure is compelled by any court or administrative agency or by other applicable requirements of Law or (ii) such records, files, documents, data, or information can be shown to have been (x) generally available to the public other than as a result of a disclosure by the Seller, SLIC-Canada or their respective Representatives or (y) available to the Seller or SLIC-Canada on a non-confidential basis from a source other than the Administrator or the Administrator's Representatives, provided that such source is not known by the Seller or SLIC-Canada

to be bound by a confidentiality agreement with, or other obligation of secrecy of, the Administrator or another party; or

(b) using such records, files, documents, data or information for any purpose (including without limitation directly or indirectly competing with the Administrator or any affiliate thereof) except pursuant to this Agreement.

ARTICLE X  
MISCELLANEOUS

-----  
SECTION 10.1. Power of Attorney. The Seller grants to the

-----  
Administrator authority in all matters relating to risk management and administration of the Policies to the extent such authority (a) may be granted pursuant to applicable Law and (b) is reasonably necessary for the Administrator to provide the Administrative Services hereunder. In order to assist and to more fully evidence this authority, the Seller hereby nominates, constitutes, and appoints the Administrator as its attorney-in-fact with respect to the rights, duties, privileges, and obligations of the Seller in, to and under the Reinsured Policies, with full power and authority to act in the name, place, and stead of the Seller with respect to the Reinsured Policies, including, without limitation, the power, without reservation, to service all Reinsured Policies, to adjust, to defend, to settle, and to pay all claims and benefits and to take such other and further actions as may be reasonably necessary to effect the transactions contemplated by this Agreement, the Purchase Agreement and the

SECTION 10.2. Notification. The Seller shall forward promptly to

-----  
SLIC-Canada and the Administrator all notices and other written communications received by or served upon the Seller relating to the Administrative Services or the Reinsured Policies, including, without limitation (a) all inquiries or complaints from state insurance regulators, agents, brokers and insureds and (b) all notices of claims, suits and actions for which the Seller receives service of process. The Seller shall be entitled to retain copies of all such materials.

The Administrator shall forward promptly to the Seller copies of all notices and other written communications received by or served upon the Administrator relating to the Administrative Services or the Reinsured Policies including, without limitation (a) all inquiries or complaints from state insurance regulators, agents, brokers and insureds and (b) all notices of claims (excluding routine claim notices), suits and actions for which the Administrator receives service of process.

SECTION 10.3. Notice. Any notice or communication given pursuant to

-----  
this Agreement must be in writing and (a) delivered personally, (b) sent by facsimile transmission, (c) delivered by overnight express, or (d) sent by registered or certified mail, postage prepaid as follows:

If to the Administrator: Life Reassurance Corporation of America  
969 High Ridge Road, Stanford CT 06905  
Attention: General Counsel  
Facsimile No.: (203)968-0920

If to the Seller: Seaboard Life Insurance Company (USA)  
525 South Meridian  
Indianapolis, Indiana 46225-1125  
Attention: President  
Facsimile No: (317) 238-5611

If to SLIC-Canada: Seaboard Life Insurance Company  
2165 West Broadway  
P.O. Box 5900  
Vancouver BC  
Canada V6B 5H6  
Attention: Chief Financial Officer  
Fax: (604) 734-8221

All notices and other communications required or permitted under this Agreement that are addressed as provided in this Section 10.3 shall (i) if delivered personally or by overnight express, be deemed given upon delivery; (ii) if delivered by facsimile transmission, be deemed given when electronically

confirmed; and (iii) if sent by registered or certified mail, be deemed given when received. Any party from time to time may change its address for notice purposes by giving a similar notice specifying a new address, but no such notice shall be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

SECTION 10.4. Expenses. Except as otherwise expressly provided  
-----

herein, each of the parties hereto shall pay its own costs and expenses in connection with this Agreement and its respective obligations hereunder.

SECTION 10.5. Governing Law. This Agreement shall be governed by and  
-----

construed in accordance with the Laws of the State of Indiana, regardless of the Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

SECTION 10.6. Integration. This Agreement (including the Exhibits  
-----

hereto), together with the Purchase Agreement and the Indemnity Reinsurance Agreement, contain the entire agreement and understanding among the parties with respect to the transactions contemplated hereby and thereby, and supersede all prior agreements and understandings, written or oral, with respect thereto.

SECTION 10.7. Assignment; Binding Effect. Neither this Agreement nor  
-----

any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by any of the parties hereto without the prior written consent of the other parties in their sole discretion, and any such assignment that is attempted without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and permitted assigns.

SECTION 10.8. Amendment. This Agreement may only be amended or  
-----

modified by a written instrument executed on behalf of all the parties hereto.

SECTION 10.9. Independent Contractors. The Administrator and SLIC-  
-----

Canada shall be deemed independent contractors of the Seller for all purposes hereunder. This Agreement shall not be construed to create an employment, partnership, or joint venture relationship between any of the parties hereto.

SECTION 10.10. Headings; Interpretation. The headings used in this  
-----

Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (a) words using the singular or plural

number also include the plural or singular number, respectively; (b) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement (including the exhibits hereto); (c) the term "Section" refers to the specified Section of this Agreement; (d) the term "party" means any one of the Seller, SLIC-Canada or the Administrator, as the case may be; and (e) with respect to any party, the term "affiliate" shall include, without limitation, any person or entity that becomes an affiliate of such party after the date of this Agreement.

SECTION 10.11. Remedies. Any term or condition of this Agreement may  
-----

be waived in writing at any time by the party that is entitled to the benefit thereof. A waiver on one occasion shall not be deemed to be a waiver of the same or any other

breach or nonfulfillment on a future occasion. All remedies, either under this Agreement, or by Law or otherwise afforded, shall be cumulative and not alternative.

SECTION 10.12. Severability. If any provision of this Agreement is  
-----

held to be illegal, invalid, or unenforceable under any present or future Law, and if the rights or obligations of the parties hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable; (b) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom.

SECTION 10.13. Counterparts. This Agreement may be executed in two  
-----

or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 10.14. No Third Party Beneficiary. Except as otherwise  
-----

provided herein, the terms and provisions of this Agreement are intended solely for the benefit of the parties hereto, and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person, and no such rights shall be conferred upon any person or entity not a party to this Agreement.

SECTION 10.15. Subcontracting. The Administrator may subcontract the  
-----

services to be performed by it under this Agreement to a subcontractor reasonably acceptable to the Seller; provided, that the Administrator shall not be released by any such subcontracting arrangement from its obligations



hereunder; provided, further, that the Cybertek Corporation shall be deemed to be acceptable to the Seller as a subcontractor.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers as of the date first set forth above.

SEABOARD LIFE INSURANCE COMPANY

By:

-----

Name:  
Title:

SEABOARD LIFE INSURANCE COMPANY

(USA)

By:

-----

Name:  
Title:

LIFE REASSURANCE CORPORATION OF AMERICA

By:

-----

Name:  
Title:

Exhibit A  
-----

Support Services

1. Investment management
2. Accounting
3. Computer Systems Support

Exhibit B  
-----

## Administrative Services

The Administrator shall provide the following services to the Seller:

1. Premium Collection. The Administrator shall bill and collect all premiums due under the Reinsured Policies, return any unearned premiums or other premiums to be refunded, and reconcile amounts paid with returned billing statements or other remittance media. The Administrator shall update the contract owner master records and all other records to reflect payments received.
2. Premium Auditing. The Administrator shall audit premium payments with respect to the Reinsured Policies to ensure the accuracy and acceptability of such payments.
3. Records Maintenance. The Administrator shall maintain applications, policyholder, annuitant, participant, contract owner, premium, and other necessary records, including all computer records, to determine the true and accurate status of the Reinsured Policies. Such records on any Reinsured Policy are and shall remain the property of the Seller. Upon request of the Seller or any state or federal regulatory authorities, the Administrator shall forward a complete copy of any record to the requesting party by overnight delivery.
4. Lapse of Coverage. The Administrator shall inform policyholders of any lapse in coverage under the Reinsured Policies.
5. Provision of Forms. The Administrator shall provide, at the Administrator's own expense, forms and supplies necessary to the performance of the Administrator's obligations under this Agreement including, without limitation, policy holder reports and issue-related forms, contracts, endorsements, and adoption agreements.
6. Claims Administration. The Administrator shall administer claims on the Reinsured Policies as appropriate, including the following:
  - (a) Reviewing and paying all claims for benefits which the Administrator's review determines to be qualified for payment in accordance with applicable Reinsured Policy provisions. Any such payments shall be made within the time periods and in the manner prescribed by applicable law. Each payment made by the Administrator with respect to claims subject to this Agreement shall, where appropriate, be made in full and final discharge of the obligations of the Seller or the Administrator under the applicable Reinsured Policy with respect to such payment;
  - (b) Reviewing and compromising or denying, as is appropriate based on the guidelines of the Seller in effect immediately prior to the Effective Date, all claims for benefits which the Administrator's review

determines to be qualified for such denial or compromise, in reliance on applicable Reinsured Policy provisions. In the event of non-payment of claims on account of incomplete or insufficient data, the Administrator shall acknowledge such fact to the claimant by the earlier of (i) ten working days from date of receipt of the claim or (ii) the number of days provided by applicable law;

- (c) Communicating with claimants with respect to the submission, approval and payment, compromise or denial of claims made under the Reinsured Policies administered under this Agreement;
- (d) Maintaining such files and records as are necessary to enable the Seller, at any time, to determine the true and accurate claim experience on the Reinsured Policies. Said files and records on any Reinsured Policy are and shall remain the property of the Seller;
- (e) Conforming to the reasonable requirements set by the Seller for monthly submission of claims reports;
- (f) Performing such other claim services as may be reasonably required in connection with the support and administration of the Reinsured Policies;
- (g) Preparing all required Federal and state tax reports, including without limitation 1099-R, W-2P, W-2 and 5498 for contract owners and beneficiaries as required and distributing the same to contract owners and beneficiaries and appropriate authorities;
- (h) Responding to any requests from plan administrators or trustees for policy information affecting the plan or participants for qualified plans; and
- (i) Responding to requests for calculations applicable to annuity payments as may be necessary for tax calculations.

## 7. Litigation.

- (a) The Administrator shall defend and prosecute in a manner consistent with all applicable Law, at its sole cost and expense, all suits, actions and proceedings arising out of underwriting of the Reinsured Policies and

C-2

claims for benefits thereunder. The Seller shall have the right, at its sole cost and expense, to participate in any suit, action or proceeding arising under the Reinsured Policies. Notwithstanding any provision in this Agreement to the contrary, the Administrator shall have final authority with respect to such defense and prosecution, including any settlement or compromise thereof without the consent of

the Seller, so long as all amounts for which the Seller may be held liable are 100% reinsured under the Indemnity Reinsurance Agreement and any such settlement or compromise releases the Seller from all liability for or in connection with such suit, action or proceeding and does not materially and adversely impair the ability of the Seller to carry on its business and does not contain any admission of wrongdoing on the part of the Seller.

- (b) As soon as practicable after receipt by the Administrator of notice or threat of the commencement of any suit, action or proceeding naming the Seller as a party, the Administrator shall provide a copy of all documentation received in respect thereof (with, where appropriate, notation as to time and place of service and the identity of the person served) to the Seller. If the Seller receives notice or threat of the commencement of any suit, action or proceeding naming the Administrator as a party, the Seller shall promptly deliver all documentation received in respect thereof (with, where appropriate, notation as to time and place of service and the identity of the person served) to the Administrator. The Seller shall have the right, at its sole cost and expense, to examine all files and papers relating to all claims, suits, actions or proceedings arising under the Reinsured Policies, and the Administrator shall cooperate in such examination and consultation. The parties shall provide each other with a quarterly statement of litigation in progress. The Administrator shall not file any complaint or initiate any legal proceeding in the name of the Seller without the written consent of the Seller.

8. Policyholder Services. The Administrator shall provide general policyholder services to individuals under the Reinsured Policies, including, but not limited to, the following:

- (a) Responding to inquiries with respect to the scope and amounts of coverage provided under the Reinsured Policies;
- (b) Supplying claimants, policyowners and insureds with appropriate instructions and forms for reporting claims and for submitting relevant information;

C-3

- (c) Issuing timely reports, statements, and confirmations as required by the Reinsured Policies or the Seller's practices in effect immediately prior to the Effective Date;
- (d) Issuing tax reporting forms and other information as required by applicable regulatory rules;
- (e) Processing and recording changes in the Reinsured Policies (such changes may include but are not limited to, (i) changes of ownership,

beneficiary, amount of insurance, options under the Reinsured Policies, and (ii) changes in name, changes in address and changes in other data related to the policyowners and insureds under the Reinsured Policies), reissuances, and transfer requests (i.e., from one subaccount to another);

- (f) Processing policy loans, surrenders, policy conversions and reinstatements;
- (g) Complying with Seller guidelines in effect immediately prior to the Effective Date (subject to adjustment as required by applicable Law) with respect to replacements and exchange requests; and
- (h) Calculating (on a daily basis) the mortality and expense charges, administrative charges, and cost of insurance in accordance with the provisions of the Reinsured Policies.

- 9. Agent Compensation. The Administrator shall, on behalf of the Seller, pay the compensation due from the Seller to the agents or brokers of record for the Reinsured Policies as determined pursuant to any agreements under which any payments become due after the Effective Term and make any required tax filings with respect to such compensation.
- 10. Accounting and Reporting Services. With respect to the Reinsured Policies, the Administrator shall perform all accounting and reporting of direct and ceded premiums, claims and other policyholder disbursements, reserves, policy loans, commissions, and premium tax payments and accruals. Such services shall include all accounting and reporting necessary to provide the Seller with all required statutory and regulatory data needed for financial statements and filings and state and federal income and premium tax reporting and filings.
- 11. Agent Licensing. The Administrator shall (i) maintain the appointment of all necessary resident/countersignature and other agents used by the Seller and (ii) remit compensation

C-4

to such agents in accordance with the terms and provisions of their agreements with the Seller.

- 12. Actuarial Services. The Administrator shall provide the Seller with the following actuarial services:
  - (a) Calculation of all actuarial reserves and liabilities and other actuarial items necessary to prepare SAP financial statements and supporting exhibits and tax filings and schedules;
  - (b) Calculation of tax reserves;

- (c) Preparation of all necessary actuarial opinions, memoranda and/or certifications for annual and quarterly statements;
- (d) Maintenance of product files on system;
- (e) Ongoing support, as necessary, to compliance function;
- (f) Providing responses to state regulators as required;
- (g) Providing miscellaneous support to policyowner service; and
- (h) Providing the formal actuarial opinions and related reports required by the NAIC Annual Statement blank and other state requirements, or any other regulatory authorities, and external auditors.

13. Compliance Services. The Administrator shall provide the Seller with the following compliance services:

- (a) Federal and state regulatory review and compliance;
- (b) Subject to the restrictions set forth in Section 2.3 of the Agreement, the development and filing of policy forms, riders, endorsements, and disclosure statements as may be required from time to time by applicable Law;
- (c) Filing of rate changes, as required;
- (d) Review and approval of customer communications;
- (e) Coordination of special mailings;

C-5

- (f) Handling complaints;

With respect to the Reinsured Policies:

- (i) The Administrator shall advise the Seller of any customer complaint threatening the commencement of legal action or regulatory action or of any inquiry or complaint received from or forwarded by a state insurance department or other government agency, better business bureau or an attorney representing any customer (collectively, a "customer complaint") within 24 hours of receipt, if possible, but in no instance later than five business days after receipt thereof, and shall, if requested by the Seller, provide the Seller with copies of all pertinent files and correspondence relating thereto.
- (ii) The Administrator shall be responsible for the investigation and preparation of responses to all customer complaints and

regulatory inquiries or complaints, provided that no response to a customer complaint threatening the commencement of legal action or regulatory action or an inquiry or complaint received from or forwarded by a state insurance department or other government agency, better business bureau or any attorney representing any customer shall be sent to said customer, government agency, better business bureau or attorney if the Seller promptly notifies the Administrator that the Seller intends to respond to such complaint.

- (iii) Subject to the foregoing, all customer complaints shall be handled in accordance with applicable Law (including without limitation any response time requirements applicable thereto). With respect to each customer complaint, the Administrator shall use all commercially reasonable efforts to resolve or acknowledge such customer complaint by the fifth Business Day after receipt thereof (with respect to customer complaints from state insurance departments, other regulatory agencies, or attorneys threatening legal or regulatory action) or by the tenth Business Day after receipt thereof (with respect to customer complaints from consumers or others). A record of all customer complaints shall be maintained in a log showing the date received, the nature of the complaint, the action taken (if any) and the date of the response.

C-6

- (iv) As used herein, a "customer complaint" shall be deemed to include any written communication primarily expressing a grievance against the Seller or the Administrator.
- (g) Making all filings and obtaining all regulatory approvals required with regard to advertising of the Reinsured Policies;
- (h) Providing regulatory supervision and compliance, to the extent the Reinsurer is legally permitted, as to all servicing functions contemplated by this Agreement;
- (i) Monitoring statutes and regulations of the insurance departments in the various states in which the policy owners or Reinsured Policies are located to ensure compliance therewith and to ensure that any actions or communications required by such regulations or statutes are properly made;

C-7

- (j) Monitoring the federal tax and labor statutes and the rules, regulations, orders, and interpretations thereunder and the tax and labor statutes and rules, regulations, orders, and interpretations

thereunder of the various states in which policy owners or Reinsured Policies are located to ensure compliance therewith and to ensure that any actions or communications required thereby are properly made; and

- (k) Providing such services as the Seller may require under its direction in connection with responding to inquiries from the NAIC or the insurance departments of the various states in which the policy owners or the Reinsured Policies are located.

14. Data Processing. The Administrator shall provide all data processing services, software, and facilities necessary to provide the Services.

15. General Services and Oversight. The Administrator shall provide appropriate management oversight of the financial performance and monitor significant activities relating to the Reinsured Policies, providing appropriate data to the Seller in an agreed upon format, including the following:

- (a) Making all records relating to the Reinsured Policies available to the Seller for audit upon reasonable notice and during the regular business hours of the Administrator. Such records shall include, but not be limited to, federal tax documentation, policyholder records, in-force listings, premium records, claim forms, itemized billings, eligibility documentation, and agent records and files; and
- (b) Performing such other administrative services as may be reasonably required in connection with the support and administration of the Reinsured Policies.