

Internal Revenue Service

Department of the Treasury

Number: **200132033**
Release Date: 8/10/2001
Index Number: 368.05-00

Washington, DC 20224

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Refer Reply To:

CC:CORP:B02-PLR-125536-00

Date:

May 15, 2001

LEGEND:

Insurance Holding	=
Insurance Company	=
Merger Subsidiary	=
New Holding	=
Mutual Insurance	=
Group Holding	=
Business A	=
Business B	=
Business C	=
<u>D</u>	=
<u>E</u>	=
State U	=
State V	=
State W	=
X%	=
Y%	=

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Z% =

Effective Date =

This letter is in reply to a letter dated November 8, 2000, regarding the federal income tax consequences of a proposed transaction. Additional information was submitted in letters dated January 9, February 15, March 26, and May 10, 2001. Pursuant to the letter dated May 10, 2001, the taxpayer withdrew its request for a ruling on the treatment of the "commission-free" program. The information submitted for consideration is summarized below.

Insurance Holding is an insurance holding company organized under the law of State U. Insurance Holding is an accrual basis, calendar-year taxpayer and is the common parent of an affiliated group of corporations. The principal assets of Insurance Holding consist primarily of 100% of the stock of its wholly-owned subsidiaries which are involved in Business A and Business B. In addition, Insurance Holding owns X% of the nonvoting common stock of Group Holding. Insurance Holding and those subsidiaries that are not life insurance companies file a consolidated Federal income tax return.

Insurance Company is organized under the law of State U and is a wholly-owned subsidiary of Insurance Holding. Insurance Company and its wholly-owned life insurance subsidiary file their own life-life consolidated return.

Merger Subsidiary is a wholly-owned, inactive subsidiary of Insurance Company. Its only assets consist of licenses to conduct Business C in State U and State W and approximately \$D in assets to satisfy minimum capitalization requirements for a corporation in Business C. Prior to the proposed transaction, Insurance Company will distribute the stock of Merger Subsidiary to Insurance Holding.

New Holding will be a State V, wholly-owned subsidiary of Insurance Holding.

Mutual Insurance, an accrual basis, calendar-year taxpayer, is a mutual insurance company organized under the laws of State V. In addition to its direct engagement in Business A, Mutual Insurance owns Y% of the total number of outstanding shares of common stock (including Z% of the voting common stock) of Group Holding.

As a mutual insurance company, Mutual Insurance has no authorized, issued or outstanding capital stock. Rather, the policyholders are members of Mutual Insurance. The membership interests in Mutual Insurance include voting rights and the right to participate in the distributions of Mutual Holding's surplus in the event of Mutual Holding's dissolution or liquidation.

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Group Holding, a State V corporation, is an accrual basis, calendar-year taxpayer and is the common parent of an affiliated group of corporations that file a consolidated Federal income tax return. The principal assets of Group Holding consist primarily of 100% of the stock of its wholly-owned subsidiaries which are involved in Business A and Business B.

For what are represented as valid business reasons, Mutual Insurance has decided to convert from a mutual insurance company to a stock insurance company (the "Conversion"). Concurrent with the Conversion, Insurance Holding will acquire all of the outstanding stock of Mutual Insurance through a merger of Merger Subsidiary and Mutual Insurance (the "Merger").

Pursuant to the Plan of Conversion and Joint Agreement of Merger, the following transactions are proposed:

- (i) On the Effective Date, Mutual Insurance will convert under State V law into a stock insurance company (the "Conversion");
- (ii) The rights of Mutual Insurance Members will be extinguished. In exchange for their membership interest, Eligible Members will be allocated a number of shares of stock based upon an independent valuation of the Eligible Members' voting rights and contributions to the surplus of Mutual Insurance determined by an actuarial analysis of each class of policies issued by Mutual Insurance. (Eligible Members are those who are members of Mutual Insurance on the date of adoption of the Plan of Conversion and are still members on the date all prerequisites to the Conversion are satisfied and the amendment of Mutual Insurance's articles of incorporation becomes effective.) The methodology used to determine value will be subject to the approval of the State V Commissioner of Insurance. No actual shares of Mutual Insurance stock will be issued to Eligible Members;
- (iii) On the Effective Date and simultaneous with the Conversion, Merger Subsidiary will be merged with and into Mutual Insurance by means of a statutory merger under the laws of State U and State V (the "Merger");
- (iv) The stock of Merger Subsidiary owned by Insurance Holding immediately prior to the Merger will be converted into and become all of the stock of Mutual Insurance;
- (v) Eligible Members will receive, in the aggregate, Insurance Holding common stock, cash, or policy credits with a value equal to E shares of Insurance Holding voting common stock; and
- (vi) Insurance Holding will contribute all of the stock of Mutual Insurance to New Holding.

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In calculating the amount of consideration to be received by each Eligible Member in the Conversion and Merger, shares of Insurance Holding voting common stock will be allocated among all the Eligible Members entitled to receive consideration in accordance with the terms of the Plan of Conversion and actuarial computations. As described in the Plan of Conversion, Eligible Members shall be entitled to receive either shares of Insurance Holding voting common stock, cash, or policy credits, in exchange for their membership interests. It is intended that Insurance Holding fund all of the consideration received by Mutual Insurance members.

In the case of membership interests associated with tax sheltered annuities (as described in section 403(b) of the Code), individual retirement annuities (as described in section 408(b) of the Code), and other policies issued directly to section 401(a) qualified pension plan participants (collectively, "Qualified Contracts"), the underlying policy will be credited with an additional amount of policy credits and no stock or cash will be distributed to the Eligible Member. Eligible Members with mailing addresses outside of the United States or whose receipt of stock would fail to comply with the securities registration requirements (or exemptions therefrom) of the state of domicile of such Eligible Member will receive solely cash in exchange for their membership interests. All other Eligible Members will be entitled to receive solely cash or solely Insurance Holding stock, based upon their election and funds availability. Eligible Members are not permitted to receive a combination of cash and stock.

A "policy credit" means consideration to be paid in the form of an adjustment to policy values in any of the following specific forms, depending upon the policy: an increase in accumulation value under a policy that is a deferred annuity or individual universal life policy; an increase in the amount of the payments distributed under a policy that is in the course of annuity payments or that is a supplemental contract; an increase in the dividend deposits or additions under a policy that is an individual participating life insurance policy; an increase in the premium deposit fund under a life insurance policy that has no dividend option or that has a blended dividend option; or an extension of the expiry date on a policy that is in force as extended term life insurance pursuant to a non-forfeiture provisions of a life insurance policy.

Within twelve months after the Conversion and Merger, Insurance Holding intends to offer a program (the "commission-free" program) to all shareholders holding fewer than 100 shares of Insurance Holding common stock, pursuant to which these shareholders may sell their shares or purchase additional shares increasing their stock ownership to 100 shares without paying brokerage commissions or other associated costs. The costs of the "commission-free" program will be borne by Insurance Holding.

With regard to the conversion of Mutual Insurance from a mutual insurance company to a stock insurance company, as described above, the taxpayer has made the following representations:

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- (a) The Conversion and Merger are being undertaken for the following corporate business purposes: improving Mutual Insurance's access to capital markets; permitting Mutual Insurance to grow its business and develop new business opportunities; enhancing Mutual Insurance's ability to attract and retain qualified management through the use of equity-based compensation; extending the geographic reach of the Insurance Holding group's policyholder base; expanding and diversifying the Insurance Holding group's product line and distribution channels; and allowing both Mutual Insurance and Insurance Holding to benefit from economies of scale.
- (b) Prior to the Conversion, Mutual Insurance will not have any outstanding stock.
- (c) The fair market value of the Mutual Insurance stock deemed to be issued by Mutual Insurance will be approximately equal to the fair market value of the Mutual Insurance membership interests surrendered in exchange therefor.
- (d) The fair market value of the Insurance Holding stock received by members of Mutual Insurance, together with the cash and policy credits, will approximately equal the fair market value of the proprietary interests in Mutual Insurance surrendered in the exchange.
- (e) At the time of the Conversion, Mutual Insurance will not have outstanding any stock, options, warrants, convertible securities, or any other rights that are convertible into any class of stock or securities of Mutual Insurance.
- (f) Other than policy credits, no Eligible Members will receive (or be deemed to receive) any property other than cash or Insurance Holding common stock as a result of the Conversion and Merger.
- (g) All distributions (or deemed distributions), whether of common stock, cash, or policy credits, as part of this transaction will be received by the Eligible Members in relinquishment of their membership interests in Mutual Insurance as part of a value for value exchange.
- (h) The Conversion is not part of a plan to increase the proportionate interest of any owner in the assets or earnings and profits of Mutual Insurance.
- (i) Mutual Insurance has no plan to redeem or otherwise reacquire any of the stock to be issued in the Conversion.
- (j) No fractional shares in Mutual Insurance or Insurance Holding will be issued in the transaction.

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- (k) Following the Conversion, Mutual Insurance will continue (as a stock insurance company) to be engaged in Business A.
- (l) Mutual Insurance and its members will each pay their own expenses, if any, incurred in connection with the recapitalization.
- (m) The Conversion will occur under a plan agreed upon before the transaction is implemented.
- (n) Mutual Insurance is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.
- (o) Following its Conversion into a stock company, Mutual Insurance will be treated under State V law as the same corporation as provided by the State V demutualization law.
- (p) Following the recapitalization and the merger of Merger Subsidiary into Mutual Insurance, Mutual Insurance will continue to own substantially all of the assets (within the guidelines of section 3.01 of Rev. Proc. 77-37, 1977-2 C.B. 568) formerly owned by it and by Merger Subsidiary. Any assets distributed will consist of liquid assets in excess of that needed for Mutual Insurance's ongoing Business C.
- (q) The State V Commissioner of Insurance has approved the Plan of Conversion.
- (r) It would not be possible for Mutual Insurance to become a wholly-owned subsidiary of Insurance Holding through the merger of Merger Subsidiary into Mutual Insurance without the prior or concurrent conversion of Mutual Insurance from a mutual company to a stock company under State V law.

With regard to the merger of Merger Subsidiary and Mutual Insurance, as described above, the taxpayer has made the following representations:

- (s) To the best knowledge and belief of the taxpayer and the taxpayer's representatives, the merger of Merger Subsidiary into Mutual Insurance will qualify as a reorganization under sections 368(a)(1)(A) and 368(a)(2)(E) of the Code, even assuming that any expenses borne by Insurance Holding under the "commission-free" program are treated as consideration (other than voting stock) provided by Insurance Holding under sections 368(a)(1)(A) and 368(a)(2)(E).
- (t) The total amount of nonstock consideration provided by Insurance Holding to or on behalf of Mutual Insurance policyholders (taking into account the cost to Insurance Holding of the "commission-free" program)

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will not exceed 20% of the total consideration provided by Insurance Holding in connection with the Conversion and Merger.

Based solely on the information submitted and the representations made, we hold that:

- (1) For U.S. Federal income tax purposes, Mutual Insurance will be deemed to have converted from a mutual company to a stock company prior to the merger of Merger Subsidiary into Mutual Insurance. As a result of the Conversion, the members of Mutual Insurance will be deemed to have received pro rata to the relative determined values of their membership interests a single class of voting common stock in exchange for their membership interests.
- (2) The Conversion of Mutual Insurance from a mutual insurance company to a stock insurance company, as described above, will constitute a recapitalization and, therefore, qualify as a reorganization within the meaning of section 368(a)(1)(E) of the Code. Mutual Insurance will be “a party to a reorganization” within the meaning of section 368(b) of the Code.
- (3) No gain or loss will be recognized by Mutual Insurance Eligible Members on the deemed exchange of their membership interests solely for Mutual Insurance stock, as described above (section 354(a)(1)).
- (4) The basis of Mutual Insurance membership interests is zero (Rev. Rul. 71-233, 1971-1 C.B. 113; Rev. Rul. 74-277, 1974-1 C.B. 88). The basis of the Mutual Insurance stock deemed to be received in exchange for Mutual Insurance membership interests will equal the basis of the Mutual Insurance membership interests surrendered therefor (i.e., zero) (section 358(a)(1)).
- (5) The holding period of the Mutual Insurance stock deemed to be received by Mutual Insurance Eligible Members will include the period the Mutual Insurance member held such Mutual Insurance membership interest surrendered in exchange therefor (section 1223(1)).
- (6) No gain or loss will be recognized by Mutual Insurance on the deemed issuance of Mutual Insurance stock in exchange for Mutual Insurance membership interests (section 1032(a)).
- (7) The Conversion of Mutual Insurance and the Merger will not have an effect on the date that any Mutual Insurance contract was issued, purchased, or entered into for purposes of sections 72(e)(4), 72(e)(5), 72(e)(10), 72(e)(11), 72(q), 72(s), 72(u), 72(v), 101(f), 264(a)(3), 264(a)(4), 264(f), 7702, and 7702A.

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- (8) The Conversion of Mutual Insurance and the Merger will not require retesting or the start of a new test period for any contract under sections 264(d)(1), 7702(f)(7)(B)-(E) or 7702A(c).

Section 403(b)(1) of the Code provides, generally, that amounts contributed by certain tax-exempt employers to an annuity contract purchased from an insurance company by such an employer for an employee shall be excluded from the gross income of the employee for the taxable year of contribution and that the amount actually distributed to any distributee under such a contract shall be taxable to such distributee in the year distributed under section 72. Section 403(b)(2) imposes a limit on the maximum amount which may be contributed to a tax-sheltered annuity described in section 403(b) on behalf of an employee in any taxable year. Section 403(b)(10) provides that the provisions of section 403(b)(1) will not apply to an annuity unless requirements similar to the minimum distribution requirements of section 409(a)(9) are met with respect to such annuity. Section 403(b)(11) provides that the provisions of section 403(b)(1) will not apply to an annuity unless, under the annuity, distributions attributable to contributions made pursuant to a salary reduction agreement may be paid only when the employee attains age 59 & ½, separates from service, dies or becomes disabled, or in the event of hardship. Distributions in the event of hardship may not include income attributable to salary reduction contributions. The distribution limitations of section 403(b)(11) do not apply to distributions attributable to assets held in the tax-sheltered annuity arrangement described in section 403(b) as of the close of the last year beginning before January 1, 1989. P.L. 99-514 (the "Tax Reform Act of 1986") section 1123(e)(2), as amended by P.L. 100-647 ("TAMRA") section 1011A(c)(11).

Section 408(b) of the Code defines an IRA annuity as an annuity or endowment contract which is issued by an insurance company and which meets the requirements of section 408(b). Section 408(b)(3) imposes requirements similar to the distribution requirements of section (401)(a)(9) on distributions of the entire interest of the contract owner. Section 219 permits an individual taxpayer to deduct from gross income amounts contributed to an IRA, subject to the maximum annual deduction limitations specified in section 219(b). Section 408(b)(2) establishes the annual limit on contributions and premiums to an IRA. Sections 402(c) and 408(d)(3), relating to rollover contributions, permit an individual taxpayer to purchase an IRA using funds distributed from certain other plans, subject to certain requirements relating to the nature and amount of the distribution. Section 408(d)(1) provides that amounts paid or distributed from an IRA shall be included in gross income by the payee or distributee in the manner provided in section 72.

Section 72(a) of the Code generally provides that gross income includes any amount received as an annuity under an annuity, endowment, or life insurance contract. Section 72(e)(2) provides that any amount which is received under an annuity, endowment or life insurance contract and is not received as an annuity, (i) if received on or after the annuity starting date, shall be included in gross income, and (ii) if

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received before the annuity starting date, shall be included in gross income to the extent allocable to income on the contract and shall not be included in gross income to the extent allocable to the investment in the contract. Section 72(c)(4) defines the annuity starting date, in part, as the first day of the first period for which an amount is received as an annuity under the annuity contract. Section 72(e)(3) provides that an amount shall be treated as allocable to income on the contract to the extent that such amount does not exceed the excess of the cash value of the contract immediately before the amount is received, over the investment in the contract at the time. Section 72(e)(5) provides, in part, that, with certain exceptions, an amount received from a trust described in section 401(a), which is exempt from tax under section 501(a), or is received from a contract purchased by a trust described in section 401(a), purchased as part of a plan described in section 403(a), or described in section 403(b), shall be included in gross income, but only to the extent it exceeds the investment in the contract. Section 72(e)(6) provides that the investment in the contract, as of any date, is the aggregate amount of premiums or other consideration paid for the contract as of such date, minus the aggregate amount received under the contract before such date to the extent such amount was excludable from gross income.

Section 72(t) of the Code provides, in part, that, if any taxpayer receives any amount from a qualified retirement plan (defined in section 4974(c)) prior to certain dates or the occurrence of certain events specified in section 72(t)(2) the taxpayer's tax for the taxable year shall be increased by an amount equal to 10 percent of the portion of such amount which is includible in gross income.

Section 4973 of the Code imposes an excise tax equal to 6 percent of the amount of any excess contribution to an IRA. This 6 percent tax applies for each taxable year of the IRA owner during which such excess contributions remain in such IRA, determined as of the end of the taxable year. An excess contribution under section 4973 is defined as a contribution in excess of the maximum amount that may be contributed to an IRA.

Section 4979 of the Code imposes an excise tax equal to 10 percent of the excess aggregate contributions under a tax-sheltered annuity plan described in section 403(b) for a taxable year. Excess aggregate contributions under section 4979 are defined, in part, as the sum of the employer matching contributions and employee contributions, actually made, on behalf of highly compensated employees, within the meaning of section 414(q), for a plan year in excess of the maximum amount of such contributions permitted under the actual contribution percentage test of section 401(m)(2) for such plan year.

Section 401(a)(9) of the Code requires, in part, that the entire interest of an employee under a qualified retirement plan be distributed, beginning no later than April 1 of the calendar year following the later of (i) the calendar year in which the employee attains age 70 ½ or (ii) the calendar year in which the employee retires, over the life or life expectancy of the employee (or over the joint lives or joint life expectancy of the employee and a designated beneficiary). Proposed Income Tax Regulations section

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1.401(a)(9)-1 provides, in general, that the amount required to be distributed under section 401(a)(9) for each calendar year must be determined each year on the basis of the employee's, and any designated beneficiary's, life expectancy and the value of the employee's benefit. The proposed regulations also provide that in the case of a benefit in the form of an individual account, the benefit used in determining the minimum distribution for a distribution calendar year is the account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year.

Section 3405 of the Code requires the payor of a "designated distribution," within the meaning of section 3405(e)(1), to withhold certain amounts from such distributions. In general, absent an election under section 3405(b)(2) made by a recipient, section 3405 requires the payor to withhold on distributions from employer deferred compensation plans, IRAs, and commercial annuities. Section 3405(c) provides that in the case of an "eligible rollover distribution", as defined in section 3405(c)(3), the payor of such distribution shall withhold from such distribution an amount equal to 20 percent of such distribution. Section 3405(e)(1)(B)(ii) provides that the term "designated distribution" does not include the portion of any distribution which it is reasonable to believe is not includible in gross income.

Central to our analysis of the submitted ruling requests is the question of whether or not the membership interests in a mutual insurance company are within the stated plans.

In this regard, any membership interests in a mutual insurance company which arise from the purchase of an insurance contract are inextricably tied to the contract from the time of purchase. These membership interests are created by operation of state law solely as a result of the policyholder's acquisition of the underlying contract from a mutual insurance company and cannot be transferred separately from that contract. Prior to conversion, the membership interests have no determinable value apart from the insurance contract itself. Further, if the insurance contract is surrendered by the policyholder or, in the event an insurance contract is terminated by payment of benefits to the contract beneficiary, these membership interests cease to exist, having no continuing value. The membership rights associated with the tax qualified retirement contracts, are acquired as a direct result of tax-favored payments to a mutual insurance company. Indeed, these membership interests cannot be obtained by any purchase separate from an insurance contract issued by Mutual Insurance. In view of the foregoing, such interests are part of the tax qualified retirement contracts, created pursuant to sections 401(a), 403(b), and 408(b) of the Code respectively.

While it has been recognized that consideration received in a demutualization transaction is in exchange for a membership interest in a mutual insurance company, and not from or under an insurance contract, such a distinction does not require the detachment of such consideration from the tax qualified retirement contracts, which consists of both the contracts and all other interests which arise with the purchase of such a contract. See Revenue Ruling 71-233, 1971-1 C.B. 113. Rather, contracts and

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the related membership interests must be viewed as part of a program of "interrelated contributions and benefits" which are retained within the plans. Cf. Income Tax Regulation section 1.72-2(a)(3)(i).

The planned issuance of policy credits does not constitute a distribution to the annuitants. The conversion of membership interests is a mere change in form of one element within the arrangement to another. Since the issuance of policy credits increases the accumulation value of the annuity contracts, the amounts in the policies are treated, for purposes of sections 403(b)(11), 408(b)(3), and 408(a)(6) of the Code, in the same manner as any other return of, or return on, an investment within the arrangements described above, and are not regarded as having been received by the policyholder. Such amounts representing the policy credits will be considered as part of the respective balances to the credit of the employees in the plans.

Under sections 402(a), 403(b)(1) and 408(d) of the Code, only amounts paid or distributed under the applicable plans will be included in the gross income of the distributee under the rules of section 72. Section 72(e), dealing with the tax treatment of amounts not received as an annuity, provides for the inclusion of such amounts when received by the distributee. As policy credits will be issued in exchange for membership interests, such interests being held within the applicable plans, no amount is treated as received by, or includible in, the gross income of any policyholder, under such plans. For purposes of section 72(e)(3), the value of policy credits which will be added to the tax-qualified retirement contracts will not be regarded as part of the investment in the contracts, an amount which under section 72(e)(6) consists of the aggregate amount of premiums or other consideration paid for the contract. In addition, as no amount is to be treated as having been distributed as a result of the conversion, nor received by the tax-qualified retirement policyholders outside the plans, the additional 10 percent tax imposed by section 72(t) does not apply.

Likewise, the planned issuance of policy credits does not constitute a contribution of such credits by the annuitants. Thus, no excess contributions can be attributed to the addition of these policy credits to the pension annuities.

Section 3405(b) of the Code requires a payor to withhold income taxes on certain "designated distributions" (as described in section 3405(e)(1)), including distributions from or under an employer deferred compensation plan, an individual retirement plan, or a commercial annuity. Section 6047(d) generally requires that the employer maintaining, or the plan administrator of, a plan from which designated distributions may be made, and any person issuing a contract pursuant to which designated distributions may be made, report payments under the plan or contract. The addition of policy credits within the tax-sheltered annuity arrangement described in section 403(b), IRA arrangement, or other qualifying plan, pursuant to the conversion, does not result in the distribution of any amounts to individual policyholders within the meaning of section 3405(e)(1)(A), and thus, will not be subject to any requirement to withhold or any requirement to report under section 6047(d).

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- (9) We conclude that under the terms of the proposed transaction, the issuance of policy credits to Mutual Insurance members owning Qualified Contracts:
- (a) will not be treated as a distribution that would affect the treatment of the Qualified Contracts under sections 402, 403(b) or 408 of the Code;
 - (b) will not be treated as a distribution or contribution with respect to the Qualified Contracts that would result in a penalty tax under sections 72(t), 4973, or 4979 of the Code. Also, the addition of policy credits will not be treated as a distribution under such Qualified Contracts or a contribution to such Qualified Contracts and, consequently, will not result in the imposition of income tax on distributions under the Qualified Contracts pursuant to section 72(e) of the Code;
 - (c) will not result in current taxable income to the members owning the Qualified Contracts;
 - (d) will not be treated for purposes of section 72 of the Code as part of the investment in the Qualified Contracts, but will be treated for purposes of sections 403 and 408 as investment earnings attributable to the year in which the policy credits are issued; and
 - (e) will not be subject to withholding pursuant to section 3405 of the Code.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, verification of the factual information and other data may be required as part of the audit process.

No opinion is expressed as to the tax treatment of the transactions under other provisions of the Code or Income Tax Regulations or as to the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the above rulings. We express no opinion as to whether the Merger described in step (iii) qualifies as a reorganization under §368(a)(1)(A) by reason of §368(a)(2)(E). In particular, we express no opinion as to whether the expenses borne by Insurance Holding under the “commission-free” program are consideration provided by Insurance Holding in the Merger, or whether such expenses, when added to the cash and policy credits issued in the merger of Merger Subsidiary into Mutual Insurance, will exceed 20% of the total value of all consideration provided in

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the Merger. In addition, we express no opinion as to the tax treatment of the contribution of stock of Mutual Insurance to New Holding described in step (vi).

Our ruling that the Conversion constitutes a reorganization within the meaning of section 368(a)(1)(E) of the Code is conditioned on Mutual Insurance being considered the same entity before and after the Conversion under State V law. Also, the rulings provided herein are based upon the assumption that the plans described are tax-sheltered annuity plans that meet the requirements of section 403(b), IRA's that meet the requirements of section 408(b), or plans that meet the requirements of section 401(a).

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter should be attached to the federal income tax return of the taxpayers for the taxable year in which the transaction covered by this ruling letter is consummated.

Sincerely,
Assistant Chief Counsel (Corporate)
By: Edward S. Cohen
Chief, Branch 2