

Banner Life Insurance Company Completes Second Capital Markets Financing of Regulation XXX Reserve

by Business-Wire

ROCKVILLE, Md.--(BUSINESS WIRE)--Sept. 8, 2006--Banner Life Insurance Company ("Banner Life"), the principal operating subsidiary of Legal & General America and a member of Legal & General Group Plc, announced today the closing of a \$450 million capital markets offering underwritten by Lehman Brothers Inc. The transaction allows First British American Reinsurance Company II ("FBARC II") to provide reserve credit to its parent company, Banner Life, for Regulation XXX reserve requirements on a block of fully underwritten level premium term life insurance business.

David Lenaburg, Chief Executive Officer of Legal & General America said, "We view these transactions as an important core competency in maintaining our competitiveness as a writer of term life insurance. A long-term, capital markets funded solution for Regulation XXX provides financial security for our policyholders whilst potentially enhancing shareholder returns."

Gene Gilbertson, Chief Financial Officer of Legal & General America said, "With the execution of our first capital markets financing in 2004, Banner Life became one of the first insurance companies to utilize the depth of the capital markets as a regulatory capital management tool. Today, with the closing of our second capital markets financing to address Regulation XXX, we extend the efficiency of this solution to a new block of business and a new group of policyholders. In addition, this transaction has further enabled us to diversify our financial resources within the context of a low cost, non-recourse solution without impacting the Group's credit capacity or leverage ratios."

FBARC II, a South Carolina domiciled special purpose financial captive, established a \$500 million facility from which it has raised \$450 million of statutory capital to collateralize reserve credit obligations arising from the reinsurance of the specified block of business from Banner Life. The additional \$50 million available under the facility provides capacity to raise statutory capital in the future if actual experience of the reinsured block varies significantly from modeled projections. FBARC II will fund itself via Shenandoah Trust Capital I, a special purpose Delaware trust, which will issue floating rate Shenandoah Trust Capital I Term Securities, Series 2006-1, to the capital markets. The financing covers a portfolio of 10-, 15-, 20- and 30-year term products and has a final maturity in 2037; however, the securities have a flexible amortization profile that will effectively match the run-off of the Regulation XXX reserve requirements over time and can be called without penalty in the event Regulation XXX is ever modified or rescinded. The securities carry a financial guarantee from Assured Guaranty Corp. and are rated AAA from Standard & Poor's and Aa1 with a positive outlook from Moody's. Lehman Brothers acted as sole structuring advisor and sole underwriter on the transaction.

Operating for more than 50 years, Banner Life is the flagship of Legal & General Group Plc in the United States and is licensed to sell individual traditional life, universal life and annuity products in every state except New York.

At year-end 2005, on a GAAP consolidated basis, Legal & General America had over \$273 billion of life insurance in force, over \$3.7 billion in assets, and an investment portfolio that consisted of over 99% investment grade assets, including 12% U.S. government and U.S. government agency holdings. On a statutory basis, Banner Life had capital & surplus of nearly \$233 million and assets equal to 124% of liabilities. Banner Life is rated "A " (Superior) from A.M. Best for financial strength and operating performance and has a "AA" (Very Strong) rating from Standard & Poor's for financial strength.

For more information, please contact Bryan Newcombe, Vice President and General Counsel for Legal & General America, at (301) 294-6968 or bnewcombe@lgamerica.com.

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Banner Life Insurance Company Completes Second Capital Markets Financing of Regulation XXX Reserve Requirements with a \$450 Million Offering