

been increased from various levels to up to five times base pay with a cap of \$2,000,000, and dependent life insurance for the employee's spouse and children has been added on a voluntary basis; and

(iii) With respect to the life insurance program for hourly employees who are covered by a collective bargaining agreement, Archer cannot unilaterally implement similar improvements to those which will be made to the Programs for salaried employees and hourly employees not covered by a collective bargaining agreement. However, Archer will implement such improvements if agreed to by the unions representing the hourly employees.

In addition, Archer recently has enhanced benefits for employees by making two new benefit programs available for its salaried employees and for its hourly employees who are not covered by a collective bargaining agreement. Archer will also implement these programs for hourly employees covered by a collective bargaining agreement if agreed to by the unions representing such employees in collective bargaining. The first of the new benefits is a legal services program, which provides certain legal services through Hyatt Legal Plans, Inc., for a set premium each month. The premiums are paid by the employees through amounts deducted from their paychecks. The second new program is an auto and home insurance program, which offers eligible employees group rates for automobile, home and other personal property through Hanover Insurance Company. The premiums for this program are also paid by the employees.

6. The life insurance Plans are now insured by Minnesota Life, which currently has a rating of A++ from Best's. The applicant represents that if the Plans choose another insurer in the future, that insurer will have a rating of A or better from Best's. The applicant anticipates that upon the granting of the exemption proposed herein, Minnesota Life will enter into reinsurance agreements with Agrinational. Minnesota Life was recently acquired by Liberty Mutual Insurance Company (Liberty), an A+ rated (by Best's) carrier located in Boston, Massachusetts. Liberty is rated by Moody's as Aa3 (Excellent) and by Standard & Poor's as AA- (Very Strong).

Minnesota Life will continue to insure the Plan, with the enhanced new benefits. However, Minnesota Life will reinsure up to 100% of the risk with Agrinational. The percentage of the risk to be insured will be specified in the reinsurance agreements between

Minnesota Life and Agrinational. The reinsurance agreements between Minnesota Life and Agrinational will be indemnity reinsurance only, so that Minnesota Life will not be relieved of its liability to the Plans should Agrinational be unwilling or unable to cover any liability arising from the reinsurance arrangement.

The Plans will pay no more than adequate consideration for the insurance contracts with Minnesota Life or any successor insurer. The formula used to calculate premiums by Minnesota Life or any successor insurer²⁷ will be similar to formulae used by other insurers providing life insurance coverage under similar programs. Furthermore, the premium charge calculated in accordance with the formula will be reasonable and will be comparable to the premium charged by the insurer providing coverage under the Plans and its competitors with the same or a better rating providing the same coverage under comparable programs.

7. In connection with this exemption request, Agrinational has engaged the services of Milliman USA (Milliman), (formerly Milliman and Robertson, Inc.) as the Independent Fiduciary for the Plans. Milliman is an international firm of consultants and actuaries with expertise in all facets of employee benefits, including insurance. Charles M. Waldron, FSA (Mr. Waldron), a Principal and Consulting Actuary employed by Milliman, has signed the Independent Fiduciary representations on behalf of Milliman. Milliman's consultants are frequently retained to advise corporations on the insurance arrangements underlying their benefit programs and have considerable expertise in the area of reinsurance and captive insurers.

8. For purposes of demonstrating independence, Mr. Waldron has represented that:

(a) Neither he nor Milliman is an Affiliate of Archer, Minnesota Life or Agrinational;

(b) He is not an officer, director, employee of, or partner in Archer, Agrinational or Minnesota Life;

(c) Milliman is not a corporation in which Archer, Agrinational or any of the other insurers involved in the proposed transaction has an ownership interest or is a partner;

(d) Neither he nor Milliman has an ownership interest in Archer, Agrinational, or Minnesota Life, or in any Affiliate of those firms;

²⁷ The applicant states that any successor insurer would be a legal reserve life insurance company with assets of such a size as to afford similar protection and responsibility.

(e) He was not a fiduciary with respect to the Plans prior to his appointment for this transaction;

(f) He has acknowledged in writing on behalf of Milliman its acceptance of fiduciary obligations and has agreed not to participate in any decision with respect to any transaction in which either he or Milliman has an interest that might affect their fiduciary duty;

(g) The gross income received by Mr. Waldron and Milliman separately and combined from Archer, Agrinational, Minnesota Life, or their Affiliates (including amounts received for services as Independent Fiduciary under any prohibited transaction exemption granted by the Department), does not exceed 5 percent of Mr. Waldron's or Milliman's gross annual income from all sources for any fiscal year; and

(h) Neither Milliman nor Mr. Waldron has acquired any property from, sold property to, or borrowed funds from Archer, Agrinational, or Minnesota Life or their Affiliates.

9. Mr. Waldron represents that Agrinational is licensed to do business in the State of Vermont and has been conducting business since 1987 insuring and reinsuring property, casualty and marine business. Agrinational's reserves for the past two (2) years have been reviewed by the actuarial services group of EY, which is a firm independent of Agrinational and Archer. Mr. Waldron has reviewed the report on the reserves and is satisfied that there are no issues to be resolved. In addition, Mr. Waldron represents that future reserves will be reviewed by a qualified actuary approved by the State of Vermont. Mr. Waldron has confirmed that Agrinational has undergone an examination by EY, an independent certified public accountant, for its last completed taxable year.

10. Mr. Waldron has concluded that, as a result of the reinsurance agreement described in representation 6, above, the Plans' risks will be 100% covered by Minnesota Life, a carrier rated A++ by Best's, even if Agrinational were unable or unwilling to cover the Plans' liabilities it is assuming as a result of the reinsurance agreement. Mr. Waldron represents that he has reviewed the terms of the proposed reinsurance agreement between Minnesota Life and Agrinational. Mr. Waldron states that the agreement provides for the risk retained by Agrinational to revert back to Minnesota Life at no further cost to the Plans should Agrinational be unable or unwilling to pay the benefits.

11. Mr. Waldron has represented that he reviewed the Plans' benefits before the reinsurance transaction and the benefits implemented in anticipation of