



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF

SPARTA INSURANCE COMPANY

Docket No. EX18-11

by

APOLLO GLOBAL MANAGEMENT, LLC  
LEON BLACK, JOSHUA HARRIS and MARC ROWAN

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### ORDER

I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having read the record in the above-captioned matter, do hereby adopt the findings and recommendations of Jon Arsenault, Hearing Officer, which are contained in the attached Proposed Final Decision, dated August 28, 2018, and issue the following order, TO WIT;

1. The Application of the Applicants in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.

2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.

3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.

4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

5. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for the filing and amended Insurance Holding Company system Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance

Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurer.

8. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Applicants shall request that the Commissioner waive the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurer undergoing a financial examination and a market conduct examination within thirty (30) days following the Proposed Acquisition.

9. The Domestic Insurer, through its subsidiary CUSIS, shall maintain the equivalent of at least twenty-four (24) full-time employees located in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

10. The Domestic Insurer shall, at all times, maintain its books and records in Connecticut pursuant to General Statutes § 38a-57 unless otherwise approved by the Commissioner.

11. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 28th day of August, 2018.



Katharine L. Wade  
Katharine L. Wade  
Insurance Commissioner



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In the Matter of:
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PROPOSED FINAL DECISION

I. INTRODUCTION

Apollo Global Management, LLC, Leon Black, Joshua Harris and Marc Rowan (collectively, "Applicants") seek the approval of the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control ("Proposed Acquisition") of Sparta Insurance Company, a Connecticut domestic insurer, ("Domestic Insurer") pursuant to an Amended and Restated Form A dated July 13, 2018 ("Application") filed with the Connecticut Insurance Department ("Department") in accordance with General Statutes § 38a-130 and § 38a-138-6 of the Regulations of Connecticut State Agencies. The Domestic Insurer is an indirect, wholly owned subsidiary of Catalina Holdings (Bermuda) Ltd. ("Catalina"), a Bermuda exempted company.

The Proposed Acquisition will be effected pursuant to the terms of the Agreement for the Sale and Purchase of Catalina Holdings (Bermuda) Ltd. dated as of October 10, 2017 ("Purchase Agreement"), by and among the Selling Shareholders (as that term is described in the Application) and Avalon Acquisition, LLC, a Cayman Islands limited liability company which was organized as a special purpose vehicle to enter into the Purchase Agreement.

The Insurance Commissioner ("Commissioner"), is required by General Statutes § 38a-132 and § 38a-138-6 of the Regulations of Connecticut State Agencies to hold a public hearing on the Proposed Acquisition of the Domestic Insurer within thirty (30)

days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the original Form A dated February 20, 2018 and thereafter requested the Applicants to file supplemental information. On July 13, 2018, the Applicants filed an Amended and Restated Form A, the Application, with the Department which amends and restates portions of the original Form A text and also includes certain new and revised exhibits.

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated July 13, 2018, in which she ordered that the public hearing be held on August 7, 2018 concerning the application for approval of the Proposed Acquisition of the Domestic Insurer. The hearing notice was subsequently published in *The Hartford Courant*, once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of State on July 18, 2018 and was published on the Department's internet website. In accordance with § 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicants and the Domestic Insurer were designated as parties to this proceeding.

On July 20, 2018, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On August 7, 2018, the public hearing on the Proposed Acquisition of the Domestic Insurer was held before the undersigned.

William D. Goddard, Esq. and Elizabeth P. Retersdorf, Esq. of Day Pitney, LLP, represented Apollo Global Management, LLC. Marc Rowan and Alexander Humphreys, Partner with Apollo Management International, LLP, a subsidiary of Apollo Global Management, LLC, testified at the public hearing on behalf of the Applicants.

Stephen Eisenmann, President and Chief Claims Officer for the Domestic Insurer, testified at the public hearing on behalf of the Domestic Insurer.

The following Department staff participated in the public hearing: Kathy Belfi, Director of Financial Regulation; Joan Nakano, Insurance Supervising Examiner; and Jared Kosky, Esq., Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to

the issues to be considered by the Commissioner. No oral or written comments on the Application were received.

## **II. FINDINGS OF FACT**

After reviewing the exhibits entered into record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of facts:

1. Apollo Global Management, LLC ("AGM") is a publicly traded Delaware limited liability company originally founded in 1990 with a business address of 9 West 57th Street, 43rd Floor, New York, NY 10019. It operates as a global alternative investment manager, raising, investing and managing private equity, credit and real estate funds, with significant distressed investment expertise.
2. Leon Black is the Chairman of the Board, Chief Executive Officer and a Director of AGM with a business address of 9 West 57th Street, 43rd Floor, New York, NY 10019. Mr. Black co-founded AGM, together with its predecessors and their respective subsidiaries and affiliates ("Apollo"), in 1990 to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts and taking minority positions in growth-oriented companies.
3. Joshua Harris is a Senior Managing Director and a Director of AGM with a business address of 9 West 57th Street, 43rd Floor, New York, NY 10019, and co-founded Apollo in 1990.
4. Marc Rowan is a Senior Managing Director and a Director of AGM with a business address of 9 West 57th Street, 43rd Floor, New York, NY 10019, and co-founded Apollo in 1990.
5. The Domestic Insurer is a Connecticut-domiciled property and casualty insurer with a business address of 5 Batterson Park Road, 3rd Floor, Farmington, CT 06032. The Domestic Insurer is an indirect, wholly owned subsidiary of Catalina, a Bermuda exempted company. The Domestic Insurer is in the business of run-off and is no longer writing new business.

6. The Domestic Insurer is currently authorized to conduct property and casualty business in fifty (50) states and the District of Columbia and re-domesticated to Connecticut in 2009.
7. Catalina, established in 2007, is a holding company organized under the laws of Bermuda. Catalina is a specialist consolidator of non-life general insurance and reinsurance companies and portfolios in run-off. Catalina acquired the Domestic Insurer in September 2014 and, since then, has been engaged in business in Connecticut.
8. All of the issued and outstanding shares of Catalina are owned by Apollo Rose, L.P. (which is ultimately controlled by AGM and Leon Black, Joshua Harris and Marc Rowan (collectively, the "Individual Applicants")), CDP VSI I Limited Partnership, 1397225 Ontario Limited and the Management Sellers (as that term is defined in the Purchase Agreement) (collectively, the "Selling Shareholders").
9. The Selling Shareholders entered into the Purchase Agreement dated as of October 10, 2017 with Avalon Acquisition, LLC, a Cayman Islands limited liability company which was organized as a special purpose vehicle to enter into the Purchase Agreement. Avalon Acquisition, LLC is ultimately controlled by AGM and the Individual Applicants.
10. Subject to the conditions set forth in the Purchase Agreement, on the closing date thereunder, the Applicants will indirectly acquire control from the Selling Shareholders, and the Selling Shareholders will indirectly sell control to the Applicants, of the Selling Shareholders' respective shares of Catalina's voting/ordinary securities. Pursuant to the terms and conditions of the Purchase Agreement, the Selling Shareholders will receive aggregate consideration of approximately \$875 million, subject to certain possible adjustments as set forth in the Purchase Agreement ("Purchase Price"), in connection with the sale of the Catalina shares, less any amount attributable to any Catalina shares that are retained (or subject to rollover) by the Management Sellers, plus any "ticking fee", as that term is described in the Application.
11. The payment of the Purchase Price will be made in cash to the Selling Shareholders upon the closing date. No portion of the Purchase Price will

- consist of funds borrowed for the purpose of consummating the Proposed Acquisition. The source of the cash payment of the Purchase Price to the Selling Shareholders is equity investments made by Limited Partnerships prior to the closing date. The Limited Partnerships, which are ultimately controlled by AGM, are purely passive institutional investors and none of them has any control or voting power regarding the Catalina shares or the Domestic Insurer.
12. The Domestic Insurer is in the business of run-off and is no longer writing new business. Following the closing of the Proposed Acquisition, the Applicants represent that the Domestic Insurer will continue to maintain its separate corporate existence and continue its run-off operations as currently conducted. The Applicants further represent that such operations include using the Domestic Insurer as the recipient of blocks of legacy business, either by merger or by writing loss portfolio reinsurance, subject in each case to the prior approval of the Department.
13. The Domestic Insurer contracts with its wholly-owned direct subsidiary, Catalina U.S. Insurance Services LLC ("CUSIS"), to manage its business of run-off. CUSIS currently maintains an office in Connecticut from which it manages the Domestic Insurer. The Applicants represent that CUSIS will continue to manage the Domestic Insurer from a location in Connecticut and the Applicants have committed to cause CUSIS, as a subsidiary of the Domestic Insurer, to maintain the equivalent of at least twenty-four (24) full-time employees located in Connecticut for four (4) years following the closing of the Proposed Acquisition.
14. Following are the names and titles of the respective directors and executive officers of AGM:

Name:	Position:
Leon Black	Chairman, Chief Executive Officer and Director
Joshua Harris	Senior Managing Director and Director
Marc Rowan	Senior Managing Director and Director
Scott Kleinman	Co-President
James Zelter	Co-President
Martin Kelly	Chief Financial Officer

John Suydam	Chief Legal Officer
Michael Ducey	Independent Director
Paul Fribourg	Independent Director
Robert Kraft	Independent Director
A.B. Krongard	Independent Director
Pauline Richards	Independent Director

15. The biographical affidavits of the members of the board of directors and officers of the Applicants included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Applicants and indirectly the Domestic Insurer after the acquisition.
16. Post-Acquisition, the Applicants have no present plans to make any change to the Domestic Insurer's current officers and directors.
17. Following are the names and titles of the proposed directors and executive officers of the Domestic Insurer post-acquisition:

**Directors**

Name:	Position:
Peter Johnson	Director
Gerald "Gary" Haase	Director
Christopher Fleming	Director

**Officers**

Name:	Position:
Gerald "Gary" Haase	Chief Executive Officer
Stephen Eisenmann	President and Chief Claims Officer
Amy Gallent	Secretary and General Counsel
D. Campbell McBeath	Treasurer
Joseph Myers	Chief Investment Officer
Peter Harnik	Deputy Chief Investment Officer

Tracy Price	Senior Vice President and Chief Financial Officer
Daniel Powell	Senior Vice President
Tim Walker	Head of Risk
Leigh Ann Kissner	Senior Vice President
Debra Christensen	Vice President
Diane Legere	Assistant Secretary
Maryann Dean	Assistant Secretary

18. The biographical affidavits of the members of the directors and officers of the Domestic Insurer, post-acquisition, included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Domestic Insurer after the Proposed Acquisition.
19. The Applicants represent that they have no present plans to (a) cause the Domestic Insurer to declare an extraordinary dividend; (b) liquidate the Domestic Insurer; (c) sell the Domestic Insurer's assets (except for investment transactions and minor asset dispositions in the ordinary course of business) or merge the Domestic Insurer with any person(s); or (d) make any other material change in the Domestic Insurer's business operations or corporate structure or management.
20. The Applicants have committed to comply with all requirements under applicable law relating to retention of the Domestic Insurers' books and records within the State and will remain in compliance with the Insurance Department Bulletin FS-2 concerning custody of securities.
21. Except pursuant to the Purchase Agreement and for the Catalina Shares currently owned by Apollo Rose, L.P., none of the Applicants, AGM's affiliates, or any person listed in Item 3 of the Application, beneficially owns or has the right to acquire beneficial ownership of, voting securities of the Domestic Insurer.
22. Other than as described in the Application, the Purchase Agreement and that certain Amendment and Restatement Agreement dated August 1, 2017,

relating to the a Subscription and Shareholders Agreement among Catalina and the Selling Shareholders, which is Exhibit N of the Application and will be terminated upon the closing of the Proposed Acquisition ("Terminating Shareholders Agreement"), and the Side Letter to the Terminating Shareholders Agreement, which is Exhibit O of the Application, there is no contract, arrangement or understanding with respect to any voting securities of the Domestic Insurer in which the Applicants, AGM's affiliates or any person listed in Item 3 of the Application is involved, including, without limitation, to transfer any of the securities of the Domestic Insurer, or involving any joint ventures, loan or option agreements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

23. There has been no acquisition, direct or indirect, during the twelve (12) calendar months preceding the filing of the Application of any voting securities of the Domestic Insurer by the Applicants, AGM's affiliates or any person listed in Item 3 of the Application.
24. None of the Applicants, AGM's affiliates, any person listed in Item 3 of the Application nor any person based upon interviews or at the suggestion of the Applicants, AGM's affiliates or any person listed in Item 3 of the Application has made any recommendations to purchase any voting securities of the Domestic Insurer during the twelve (12) calendar months preceding the filing of the Application.
25. There are no agreements, contracts or understandings made by the Applicants, AGM's affiliates or any person listed in Item 3 of the Application with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender, and no fees, commissions or other compensation will be paid to any broker-dealer in connection with the same.

### **III. DISCUSSION**

The Insurance Commissioner is required to approve the Proposed Acquisition unless, after a public hearing, she finds that the proposed acquisition of control of the Domestic Insurer would result in any of the conditions set forth in General Statutes §§ 38a-132 (a) (1) through (6). These conditions will be addressed in turn.

**(1) After the change of control, the Domestic Insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.**

General Statutes § 38a-132 (a) (1) requires the Domestic Insurer to satisfy the requirements for the issuance of licenses to write the line or lines of business for which it is presently licensed following the proposed acquisition of control. The Domestic Insurer is currently licensed pursuant to General Statutes § 38a-41 and satisfies the requirement for the issuance of a license to write the lines of business for which it is licensed. The Applicants, through testimony and submissions, indicate that no changes will be made to the Domestic Insurer such that it would not be able to satisfy the requirements for the issuance of its licenses.

In addition to the criteria set forth in General Statutes § 38a-72, the Department considers the location of the company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate in this state pursuant to § 38a-41. The Applicants in testimony and submissions have confirmed that books and records will remain in their present location in Connecticut pursuant to General Statutes § 38a-57 and the Applicants confirmed it will remain in compliance with Insurance Department Bulletin No. FS-2 with respect to custody arrangements for securities.

As noted in the findings of fact, the Applicants have no present plans or proposals to: (a) cause the Domestic Insurer to declare an extraordinary dividend; (b) liquidate the Domestic Insurer; (c) sell the Domestic Insurer's assets (except for investment transactions and minor asset dispositions in the ordinary course of business) or merge the Domestic Insurer with any person(s); or (d) make any other material change in the Domestic Insurer's business operations or corporate structure or management. Furthermore, the Applicants have no present plans to cause the Domestic Insurer to enter into any new agreements with any affiliates of the Applicants or to make any changes to the Domestic Insurer's officers and directors. Moreover, based on the information contained in the biographical affidavits for the directors and officers of the Applicants, the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurer following the consummation of the proposed transaction, are such

that the safe and expert operation of the Domestic Insurer will continue following the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that the Domestic Insurer will be able to satisfy the requirements for the issuance of the necessary license of insurers for which it is presently licensed following completion of the Proposed Acquisition of control.

**(2) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.**

General Statutes § 38a-132 (a) (2) requires that the proposed transaction neither substantially lessen competition nor create a monopoly in Connecticut. In evaluating the effect of the proposed acquisition on competition in Connecticut, the Commissioner is required by General Statutes § 38a-132 (a) (2) (A) to consider the information required under General Statutes § 38a-131 (c) (1) and the considerations specified in General Statutes § 38a-131 (d) (1). In this regard, the Commissioner must consider the percentages of market shares of the Applicants and affiliates and the Domestic Insurer and the market in which the insurers compete, as set forth in § 38a-131 (d) (1). If certain quantitative criteria are met, then there is *prima facie* evidence that the competitive standard has been violated. (See § 38a-131 (d) (1)).

General Statutes § 38a-131 (d) (2) defines “market” as the relevant product and geographical markets. In determining the relevant product and geographical markets, § 38a-131 (d) (2) specifies that in the absence of sufficient information to the contrary, the relevant product market shall be the direct written insurance premium for a line of business as used in the annual statement insurers doing business in this state are required to file with the Commissioner, and the relevant geographical market shall be Connecticut.

Catalina and its direct and indirect subsidiaries, including the Domestic Insurer, are engaged exclusively in property and casualty lines of insurance, with no accident and health business, and had no market share in any property and casualty line of business in Connecticut, based on 2017 data obtained by the Applicants from S&P

Global Market Intelligence (formerly known as SNL Financial). Furthermore, the Applicants do not presently control any insurers that write property and casualty lines of business in Connecticut other than the insurer subsidiaries of OneMain Holdings, Inc., none of which has any market share in any property and casualty line of business in Connecticut based on the 2017 data obtained by the Applicants from S&P Global Market Intelligence.

Accordingly, the undersigned hereby finds that, based on the evidence contained in the record of this proceeding, the effect of the acquisition of control of the Domestic Insurer by the Applicants will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

**(3) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.**

General Statutes § 38a-132 (a) (3) requires that the financial condition of any acquiring company be in sufficiently sound financial condition so as not to jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders. Based on the information entered into the record of this proceeding, including the Application and the testimony of Alexander Humphreys, the undersigned hereby finds that there is no evidence indicating that the financial condition of the Applicants might jeopardize the financial condition of the Domestic Insurer, or prejudice the interests of its policyholders.

**(4) The plans or proposals of the acquiring party to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in the business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.**

General Statutes § 38a-132 (a) (4) requires that the acquiring party not be contemplating any material changes in the business of the Domestic Insurer that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest.

The testimony of Alexander Humphreys states that the Applicants have no present plans to liquidate the Domestic Insurer, sell its assets, consolidate or merge it with any person or make any other material change in its business or corporate structure or management. The Domestic Insurer is in the business of run-off and is no longer writing new business. Mr. Humphreys' testimony states that following the closing of the Proposed Acquisition the Domestic Insurer will continue to maintain its separate corporate existence and continue its run-off operations as currently conducted. Such operations include using the Domestic Insurer as the recipient of blocks of legacy business, either by merger or by writing loss portfolio reinsurance.

Accordingly, based on the information entered into the record of this proceeding, the undersigned hereby finds that there are no material plans or proposals for the Domestic Insurer that are unfair and unreasonable to policyholders of the Domestic Insurer or not in the public interest.

**(5) The competence, experience and integrity of those persons who would control the operation of the Domestic Insurer are such that it would not be in the interest of the policyholders of the Domestic Insurer and of the public to permit the merger or other acquisition of control.**

General Statutes § 38a-132 (a) (5) requires that the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. The record includes the biographical affidavits and third party reports of those individuals who serve as members of the board and as officers of the Applicants. The biographical affidavits disclose each individual's education background, professional credentials and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten (10) years, none of the directors or officers of the Applicants have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking. During the last ten (10) years, none of the directors or officers of the Applicants have been the

subject of any proceeding under the Federal Bankruptcy Code, or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no director or officer of the Applicants have had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals.

Accordingly, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurer after completion of the Proposed Acquisition are sufficient to indicate that the interests of policyholders of the Domestic Insurer and of the public will not be jeopardized by the Applicants' acquisition of control of the Domestic Insurer.

**(6) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.**

General Statutes § 38a-132 (a) (6) requires that the proposed acquisition not be hazardous or prejudicial to the insurance buying public. Based on the financial strength of the Applicants, the commitments contained within the Purchase Agreement, the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer post-acquisition, the testimony of Alexander Humphreys and Stephen Eisenmann and the affirmation that the current plans of the Applicants for the Domestic Insurer will not disrupt the Domestic Insurer's current policyholders and will provide a strong and stable financial environment for the Domestic Insurer, the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, assuming compliance with the Applicants' commitments as set forth in the record and with all of Connecticut's insurance statutes and regulations, the undersigned hereby finds that it is reasonable to conclude that the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

#### **IV. RECOMMENDATION**

Based on the foregoing findings of fact and the discussion, the written and oral testimony and exhibits submitted to the Department, and the record of the August 7,

2018 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in General Statutes § 38a-132 (a) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Commissioner find, pursuant to § 38a-132 (a) that after the Proposed Acquisition of control (i) the Domestic Insurer will be able to satisfy the requirements for the issuance of a license for the lines of business for which it is presently licensed; (ii) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly therein; (iii) the financial condition of the Applicants is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders; (iv) the Applicants plans or proposals for the Domestic Insurer are not unfair and unreasonable to the policyholders of the Domestic Insurer and are in the public interest; (v) the competence, experience and integrity of the management of the Applicants and Domestic Insurer are such that it would be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Acquisition; and (vi) completion of the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

1. The Application of the Applicants in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

5. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for the filing and amended Insurance Holding Company system Annual Registration Statement pursuant to § 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to § 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurer.

8. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Applicants shall request that the Commissioner waive the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurer undergoing a financial examination and a market conduct examination within thirty (30) days following the Proposed Acquisition.

9. The Domestic Insurer, through its subsidiary CUSIS, shall maintain the equivalent of at least twenty-four (24) full-time employees located in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

10. The Domestic Insurer shall, at all times, maintain its books and records in Connecticut pursuant to General Statutes § 38a-57 unless otherwise approved by the Commissioner.

11. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 28th day of August, 2018.



Jon Arsenault  
Hearing Officer