



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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**In the matter of:** :  
: :  
**PROPOSED ACQUISITION OF CONTROL OF:** :  
: :  
**ALTERRA REINSURANCE USA INC., a Connecticut** :  
**domiciled insurance company, and an Indirect** :  
**Wholly Owned Subsidiary of Alterra Capital** : **Docket No. Ex13-12**  
**Holdings Limited** :  
: :  
**By** :  
: :  
**MARKEL CORPORATION, a Virginia Corporation.** :  
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### ORDER

I, Thomas B. Leonardi, Insurance Commissioner of the State of Connecticut, having read the record in the above-captioned matter, do hereby adopt the findings and recommendations of Kathy Belfi, Hearing Officer, which are contained in the attached Proposed Final Decision, dated March 27, 2013, and issue the following order, TO WIT;

1. The Application of the Applicant in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.
  
2. Applicant 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. Applicant shall provide the Insurance 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 Applicant should provide the Department with the names and titles of those individuals who will be responsible for the filing an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. §38a-138-10.

5. 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 Conn. Agencies Regs. §38a-138-10.

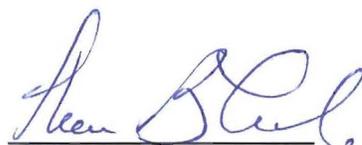
6. For the period of two years, the Applicant shall file semiannually with the Insurance Department, commencing six month from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of the business of the Domestic Insurer; changes in offices of the Domestic Insurer; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicant and Domestic Insurer.

7. The Domestic Insurer is hereby granted permission to maintain the principal books and records related to its investment function for the Domestic Insurer at the Applicant's offices in Glenn Allen, Virginia.

8. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicant's 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 Applicant and the Domestic Insurer.

9. The Applicant shall pay the expenses incurred by the Commissioner in connection with the Insurance Department's review of the Application pursuant to Conn. Gen. Stat. §38a-132(a)(3) and §38a-132(c).

Dated at Hartford, Connecticut, this 27<sup>th</sup> day of March, 2013



Thomas B. Leonardi  
Insurance Commissioner



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### PROPOSED FINAL DECISION

#### I. INTRODUCTION

On January 15, 2013, Markel Corporation (the "Applicant"), filed an application on Form A with the Connecticut Insurance Department (the "Department") pursuant to Conn. Gen. Stat. §38a-130 and Conn. Agencies Regs. §38a-138-6 (the "Application") requesting approval by the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control (the "Proposed Acquisition") of Alterra Reinsurance USA Inc. (the "Domestic Insurer"), a Connecticut domestic insurance company and an indirect wholly owned subsidiary of Alterra Capital Holdings Limited.

The Proposed Acquisition will be effected pursuant to the terms of the Agreement and Plan of Merger between Alterra Capital Holdings Limited, Markel Corporation and Commonwealth Merger Subsidiary Limited ("Merger Subsidiary"), (the "Agreement") dated as of December 12, 2012.

Under the Agreement, Merger Subsidiary will be merged with and into Alterra Capital Holdings in accordance with Bermuda Law, at which time the separate existence of Merger Subsidiary will cease and Alterra Capital Holdings will be the surviving corporation with Markel Corporation as its ultimate controlling parent. Thus, upon consummation of the Merger, Markel Corporation will acquire indirect control over the Domestic Insurer. As of the effective

time of the Merger, each Alterra Capital Holdings common share issued and outstanding immediately before the effective time will be cancelled and converted into (A) 0.04315 of a share of Markel common stock and (B) \$10.00 in cash for each Alterra Capital Holdings common share issued and outstanding before the effective time. (the "Merger Consideration")

Markel is a party to Company Shareholder Voting Agreements dated December 18, 2012 entered into by certain shareholders of Alterra Capital Holdings (the "Alterra Capital Holdings Shareholders Agreements"). The Alterra Capital Shareholders Agreements provide that the shareholders party thereto vote their shares and take all other actions necessary to ensure the consummation of the Merger, including voting for approval of the Merger.

Alterra Capital Holdings is a party to the Parent Shareholders Voting Agreement dated as of December 18, 2012 entered into certain shareholders of Markel (the "Markel Shareholders Agreement"). The Markel Shareholders Agreement provides that the shareholders party thereto vote their shares and take all other actions necessary to ensure the consummation of the Merger, including voting for the Approval of the Additional issuance of Markel shares of the Merger Consideration.

The Insurance Commissioner Thomas B. Leonardi (the "Commissioner") is required by Conn. Gen. Stat. §38a-132 and Conn. Agencies Regs. §38a-138-6 to hold a public hearing on the Proposed Acquisition of the Domestic Insurer within thirty days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the Application and thereafter requested the Applicant to file supplemental information. On February 15, 2013, the Applicant filed an amended Application with the Department which amends and restates in its entirety the original Form A text and also includes certain new and revised exhibits (the "Amended Form A").

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated February 20, 2013, in which he ordered that the public hearing be held on March 25, 2013 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 on February 22, 2013 and March 1, 2013. The notice of hearing was also filed by the Department with the Office of the Secretary of State on February 20, 2013 and was published on the on the Department's internet website. In accordance with Conn. Agencies Regs. §38a-8-48, the Applicant and the Domestic Insurer were designed as parties to this proceeding.

On February 20, 2013, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On March 25, 2013, the public hearing on the Proposed Acquisition of the Domestic Insurer was held before the undersigned. The following individuals testified at the public hearing on behalf of the Applicant: D. Michael Jones, General Counsel, Markel Corporation.

Edward J. Samorajczyk Jr., Esq. and Michael J. Kolosky, Esq. of Robinson & Cole LLP represented the Applicant and Charles R. Welsh, Esq. of Edwards Wildman Palmer LLP represented the Domestic Insurer.

The following Department staff participated in the public hearing: Joan Nakano, Insurance Supervising Examiner and N. Beth Cook, Counsel. Participating with the Department was Attorney Alvaro Adame, of Mexico, an Insurance Law L.L.M. candidate at the University of Connecticut Law School and who is performing an externship with 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. In this regard, no oral or written comments on the Application were submitted.

## **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. Applicant has fully complied with the disclosure requirements of Conn. Gen. Stat §38a 130.
2. Due notice of the public hearing required by Conn. Gen. Stat §38a-130 (a) was given.
3. Applicant is organized under the law of Virginia.
4. Applicant's principal business address is 4521 Highwoods Parkway, Glen Allen, Virginia 23060, United States of America.
5. Applicant is structured as a holding company with U.S. insurance operations conducted through its domestic insurers in Illinois (Evanston Insurance Company, Deerfield Insurance Company, Associated International Insurance Company and Markel Insurance Company), Virginia (Markel American Insurance Company), Delaware (Essex Insurance Company), Missouri (Essentia Insurance Company) and Nebraska (FirstComp Insurance

Company), as well as through London based Markel International Insurance Company, a corporate-owned syndicate at Lloyds and underwriting managers.

6. Through its operating subsidiaries, the Applicant markets and underwrites specialty insurance products and programs to a variety of niche markets.

7. Applicant and its subsidiaries intend to continue their business activities in the future, except as they relate to the integration of its business with that of Alterra Capital Holdings Limited, following completion of the Proposed Acquisition.

8. Domestic Insurer is a wholly owned subsidiary of Alterra Capital Holdings Limited. The Domestic Insurer's statutory home office is 20 Horseneck Lane, Greenwich, Connecticut, 06830, United States of America.

9. The Domestic Insurer's main administrative office is located in 535 Springfield Avenue, Summit, New Jersey, 07901, United States of America.

10. The Domestic Insurer is a reinsurance subsidiary of Alterra Capital Holdings Limited and writes traditional Property, Casualty and Specialty reinsurance.

11. The Domestic Insurer is licensed or accredited to provide reinsurance in all 50 states plus the District of Columbia.

12. Pursuant to the Agreement, Commonwealth Merger Subsidiary Limited will be merged with and into Alterra Capital Holdings in accordance with Bermuda Law, at which time the separate existence of Commonwealth Merger Subsidiary Limited will cease to exist and Alterra Capital Holdings Limited will be the surviving corporation with Markel Corporation as its ultimate controlling parent. Upon consummation of the merger, Markel Corporation will acquire indirect control over the Domestic Insurer.

13. As of the effective date of the merger, each Alterra Capital Holdings common share issued and outstanding immediately before the effective date will be cancelled and converted into 0.04315 of a share of Markel common stock and \$10.00 in cash for each Alterra Capital Holdings Common Share issued and outstanding before the effective date. Alterra shareholders will own approximately 39% of Markel's issued and outstanding common stock. The aggregate cash consideration will be approximately \$1 billion.

14. The nature and amount of the consideration to be paid in connection with the proposed acquisition was determined by arm's-length negotiations among the parties to the Merger Agreement. Each of the Applicants and Alterra Capital Holdings Limited received fairness opinions from financial advisors with respect to the consideration to be paid.

15. The Applicant and Alterra Capital Holding Limited shareholders each approved the Proposed Acquisition.

16. The biographical affidavits executed by the current and proposed directors and executive officers of the Applicant and the Domestic Insurer 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 operations of the Applicant and indirectly the Domestic Insurer after the Proposed Acquisition.

17. Owens OnLine, Inc, a third party background check agency, submitted to the Department verification reports of the biographical affidavits on January 22, 2013.

18. Following the completion of the Proposed Acquisition, the following will be the officers and director of the Applicant:

**Directors**

Alan I. Kirshner, Chairman of the Board	J. Alfred Broaddus, Jr
Douglas C. Eby	Stewart M. Kasen
Lemuel E. Lewis	Anthony F. Markel
Steven A. Markel	Darrell D. Martin
Jay M. Weinberg	Debora J. Wilson

**Executive Officers**

Alan I. Kirshner, Chief Executive Officer	Anthony F. Markel, Vice Chairman
Steven A. Markel, Vice Chairman	F. Michael Crowley, President and Co-Chief Operating Officer
Thomas S. Gayner, President and Chief Investment Officer	Richard R. Whitt III, President and Co-Chief Operating Officer
Gerard Albanese Jr., Executive Vice President and Chief Underwriting Officer	Bradley J. Kiscaden, Executive Vice President and Chief Actuarial Officer
Anne G. Waleski, Vice President and Chief Financial Officer	Britton L. Glisson, Chief Administrative Officer

19. The Domestic Insurer's proposed officers and directors following the Proposed Acquisition are set forth below:

**Directors**

Gerard Albanese Jr.	Francis Michael Crowley
Britton Lee Glisson	Bradley James Kiscaden
Richard Reeves Whitt, III	

**Executive Officers**

Gerard Albanese Jr., President	Richard Reeves Whitt, III Senior Vice President
Anne Galbraith Waleski, Vice President, Chief Financial Officer and Treasurer	Nora Newton Crouch, Vice President
Dewey Michael Jones, Vice President and Assistant Secretary	Robert Glenn Whitt, III, Controller
Richard Randolph Grinnan, Secretary	

20. Following the completion of the Proposed Acquisition, the Applicant has no present plans or proposals to: (i) cause the Domestic Insurer to declare an extraordinary dividend; (ii) liquidate the Domestic Insurer; (iii) sell the Domestic Insurer's assets; (iv) merge or consolidate the Domestic Insurer with any person or persons; (v) make any other material change in its business operations or corporate structure or cause the Domestic Insurer to enter into material contracts, agreements, arrangements, understandings or transactions of any kind with any party, other than customary agreements with regard to provision of services and tax allocation among affiliates.

21. It is anticipated that the Domestic Insurer's existing agreements with Alterra Capital Holdings Limited affiliates previously approved or not disapproved by the Commissioner will remain in place following the completion of the Proposed Acquisition.

22. The Applicant anticipates changing the location where the books and records are kept relating to the investment function of the Domestic Insurer to the Applicants offices located in Glenn Allen, Virginia.

23. The Applicant confirms that it will remain in compliance with Bulletin FS-2 with respect to custody arrangements for securities and all books and records will be available for their physical examination at the Domestic Insurer offices in Summit, New Jersey.

24. As described in the Application, upon completion of the Proposed Acquisition and in accordance with the Merger Agreement, the Applicant will acquire indirect control over the Domestic Insurer.

25. The overall integration of the Applicant and Alterra Capital Holdings Limited will be overseen by an integration team made up of senior managers from both organizations.

26. Neither the Applicant, its affiliates or the persons listed in Item 3 of the Application currently beneficially owns any voting securities issued by the Domestic Insurer or any of its controlling persons, except for nominal amounts of shares of Alterra Capital Holdings that were acquired by financial advisors in the ordinary course of business.

27. Other than the transactions described in the Merger Agreement, the Alterra Capital Holdings Shareholders Agreements, the Markel Shareholders Agreement, none of the Applicant, its affiliates or any person listed in item 3 of the Application is involved in any contract, arrangement or understanding, whether oral or in writing, with respect to any voting security of Alterra Capital Holdings or the Domestic Insurer or any security convertible into or evidencing a right to acquire a voting security whether or not such right of conversion or acquisition is exercisable immediately or at some future time, including but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, 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.

28. There have been no purchases of any voting securities of Alterra Capital Holdings or the Domestic Insurer by the Applicant, its affiliates or any person listed in Item 3 of the Application during the 12 calendar months preceding the filing of the Application. Some shares of Alterra Capital Holdings may have been acquired by financial advisors to such persons in the ordinary course of business.

29. No agreement, contract or understanding has been made by the Applicant, its affiliates or any person listed in item 3 of the Application with any broker-dealer as to solicitation of voting securities of Alterra Capital Holdings or the Domestic Insurer for tender and no amount of fees, commissions, or other compensation have been paid by the Applicant, its

affiliates or any person listed in Item 3 of the Application to broker-dealers with regard to solicitation of voting securities of Alterra Capital Holdings or the Domestic Insurer for tender.

30. The Domestic Insurer writes only reinsurance business and does not currently have any direct written premium. The Proposed Acquisition will not result in an increase in the market share of the Applicant's insurance company subsidiaries.

31. Applicant and Alterra Capital Holdings Limited were granted early termination of their Hart-Scott-Rodino ("HSR") filings by the Federal Trade Commission on January 22, 2013.

32. Applicants financial strength rating for non Lloyd's reinsurance and insurance subsidiaries is the following:

MOODY'S	
Outlook	NEG
Long Term Rating	Baa2
Senior Unsecured Debts	Baa2
STANDARD & POOR'S	
Outlook	STABLE
LT Local Issuer Credit	BBBu
FITCH	
Outlook	STABLE
LT Issuer Default Rating	BBB+
Senior Unsecured Debt	BBB
A.M. BEST	
LT Credit Outlook	STABLE
Long Term Issuer Credit	bbb+
DUFF & PHELPS	
Senior Unsecured Debt	WR

33. As of the Year End of December 31, 2011, Applicant reported the following GAAP consolidated balance sheet and income statement accounts (in thousands):

TOTAL ASSETS	\$11,532,103
TOTAL LIABILITIES	\$8,069,757
TOTAL EQUITY	\$3,462,346

TOTAL LIABILITIES AND EQUITY	\$11,532,103
NET INCOME	\$148,486
NET PREMIUMS WRITTEN	\$2,041,838

34. Three years of statutory financial projections for the Domestic Insurer are included in the Application and on file with the Department.

35. On March 13, 2013, the Central Bank of Ireland issued a no objection letter to the Proposed Acquisition with respect to its regulated entity, Alterra Europe plc.

### III. DISCUSSION

Section 38a-132(b) of the Connecticut General Statutes specifically requires the approval of the proposed acquisition of control of the Domestic Insurer unless it is determined that:

- (A) After the change of control, the Domestic Insurer would not be able to satisfy the requirements for the issuance of licenses to write the lines of business for which they are presently licensed;
- (B) 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;
- (C) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders;
- (D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest;
- (E) The competence, experience and integrity of those persons who would control the operations 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: or
- (F) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.

**A. The ability of the Domestic Insurer to satisfy the requirements for the issuance of licenses to write the line or lines of business for which they are presently licensed following the proposed acquisition of control.**

The Domestic Insurer is currently licensed pursuant to Conn. Gen. Stat. §38a-41. Conn. Gen. Stat §38a-72 requires that a domestic stock property and casualty reinsurance company must have a minimum of \$2,000,000 in capital and \$2,000,000 in paid-in surplus in the aggregate. The Domestic Insurer currently satisfies the requirement for the issuance of a license to write the lines of business for which it is licensed.

As noted in the findings of fact, following completion of the Proposed Acquisition, the Applicant has no plans or proposals to liquidate the Domestic Insurer, to sell its assets, merge, or consolidate the Domestic Insurer with any other person or entity. There are no plans for the Domestic Insurer to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity.

In addition to the criteria set forth in Conn. Gen. Stat. §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 pursuant to Conn. Gen. Stat. §38a-41. The Applicant testified that they anticipate changing the location where the books and records of the Domestic Insurer are kept to the Applicant's offices located in Glenn Allen, Virginia and are seeking prior approval of the Department to move these records as part of the Application.

The Applicant confirmed that it will remain in compliance with Bulletin FS-2 with respect to custody arrangements for securities and at the Department's request, all books and records will be available for their physical examination at the Domestic Insurer offices in Summit, New Jersey

The Applicant also submitted evidence that the information contained in the biographical affidavits and the third party verification reports for the directors and officers of the Applicant proposed for the Domestic Insurer attest to the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurer, and should insure the safe and expert operation of the Domestic Insurer following completion of 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 an insurer for which it is presently licensed following completion of the Proposed Acquisition of control.

**B. Whether the effect of the proposed acquisition of control of the Domestic Insurer would be to substantially lessen competition of insurance in this state or tend to create a monopoly herein.**

The Domestic Insurer writes reinsurance business and does not currently have any direct written premiums and, as a result, completion of the Proposed Acquisition will not result in an increase in the market share of the Applicant's insurance company subsidiaries. In addition, the early termination of the Applicant's and Alterra Capital Holdings Limited HSR filings indicated that the Proposed Acquisition does not create a potential antitrust issue from a Federal Trade Commission perspective and that such acquisition will result in no decrease in competition. Therefore, the undersigned hereby finds that the effect of the acquisition of control of the Domestic Insurer will not substantially lessen the competition of insurance or tend to create a monopoly in Connecticut.

**C. Whether the financial condition of the Applicant is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders.**

Based on the written testimony and the evidence contained in the record, the undersigned hereby finds that there is no evidence indicating that the financial condition of the Applicant might jeopardize the financial condition of the Domestic Insurer, or prejudice the interest of its policyholders.

**D. Whether the plans or proposals which the Applicant has to liquidate the Domestic Insurer, sell its assets or consolidate or merge with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.**

The record reveals that the Applicant has no current plans or proposals to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any other entity. Accordingly, the record supports and 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.

**E. Whether 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 the public to permit completion of the Proposed Acquisition.**

The record includes the biographical affidavits and third party reports of those individuals who will serve as members of the board and as officers of the Applicant and the Domestic Insurer following the change of control. The biographical affidavits disclose each individual's education background, professional credentials and their employment history. In addition, the Applicant has represented, and the biographical affidavits confirm, that during the last ten years, none of the proposed directors or officers of the Applicant and Domestic Insurer 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 years, none of the proposed directors or officers of the Applicant or Domestic insurer has 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 proposed director or officer of the Applicant or Domestic Insurer has 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 this 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 the completion of the Proposed Acquisition is such that it would be in the interest of policyholders of the Domestic Insurer and in the public interest to permit the Proposed Acquisition.

**F. Whether completion of the Proposed Acquisition is likely to be hazardous or prejudicial to those buying insurance.**

Based on the financial strength of the Applicant and the affirmation that the current plans of the Applicant for the Domestic Insurer will provide a strong and stable financial environment for the Domestic Insurer, it is hereby concluded that the completion of the Proposed Acquisition is not likely to be hazardous to those buying insurance.

Accordingly, assuming compliance with all 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 to those buying insurance.

#### **IV. RECOMMENDATION**

Based on the foregoing findings of fact and the discussion; the written testimony and exhibits submitted to the Department; and the record of the March 25<sup>th</sup>, 2013 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in Conn. Gen. Stat. §38a-132(b) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to section 38a-132(b) of the Connecticut General Statutes that after the Proposed Acquisition of control (i) the Domestic Insurer will be able to satisfy the requirements for the issuance of a license to write the lines of business for which they are 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 Applicant is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of the policyholders; (iv) the Applicant's 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 Applicant 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 Applicant in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicant 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 Applicant shall provide the Insurance 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 Applicant should 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 Conn. Agencies Regs. §38a-138-10.

5. 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 Conn. Agencies Regs. §38a-138-10.

6. For the period of two years, the Applicant shall file semiannually with the Insurance Department, commencing six months from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of the business of the Domestic Insurer; changes in offices of the Domestic Insurer; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicant and Domestic Insurer.

7. The Domestic Insurer is hereby granted permission to maintain the principal books and records related to its investment function for the Domestic Insurer at the Applicant's offices in Glenn Allen, Virginia.

8. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicant's 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 Applicant and the Domestic Insurer.

9. The Applicant shall pay the expenses incurred by the Commissioner in connection with the Insurance Department's review of the Application pursuant to Conn. Gen. Stat. §38a-132(a)(3) and §38a-132(c).

Dated at Hartford, Connecticut, this 29<sup>th</sup> day of March, 2013

  
Kathy Belfi  
Hearing Officer