



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In the Matter of:

**PROPOSED ACQUISITION OF CONTROL OF HOMESITE
INSURANCE COMPANY**

Docket No. EX13- 169

by
AMERICAN FAMILY MUTUAL INSURANCE COMPANY
and
AMFAM, INC.

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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 December 11, 2013, and issue the following order, TO WIT;

1. The Application of the Applicants in which they seek 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 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. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.
7. For the period of two years, the Applicants 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 Applicants and Domestic Insurer.

8. The books and records of the Domestic Insurer shall remain at their current location. Any change in location will be required to be prior approved by the Commissioner pursuant to Conn. Gen. Stat. §38a-57.

9. 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 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 Applicants and the Domestic Insurer.

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

Dated at Hartford, Connecticut, this 11th day of December, 2013



Thomas B. Leonardi
Insurance Commissioner



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF

HOMESITE INSURANCE COMPANY

Docket No. EX13- 169

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AMERICAN FAMILY MUTUAL INSURANCE COMPANY

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AMFAM, INC.

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PROPOSED FINAL DECISION

I. INTRODUCTION

On October 8, 2013, American Family Mutual Insurance Company, a Wisconsin mutual insurance company ("AFMIC"), and AmFam, Inc., a Wisconsin business corporation, ("AMFAM" and collectively with AFMIC the "Applicants"), 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 Homesite Insurance Company (the "Domestic Insurer" or "Homesite"), a Connecticut domestic insurance company and an indirect wholly owned subsidiary of Homesite Group Incorporated ("HGI"), a Delaware corporation.

The Proposed Acquisition will be effected pursuant to the terms of the Agreement and Plan of Merger (the "Agreement") by and among HGI, AMFAM, HGI Acquisition Co. Inc. ("Merger Sub"), a Delaware corporation, and Henry Securityholder Representative, LLC ("Henry") dated as of September 4, 2013.

Pursuant to the terms of the Agreement, the Applicants intend to cause the Merger Sub to merge with and into HGI in accordance with the applicable Delaware General

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Corporation Law merger statutes ("Merger"). Immediately upon consummation of the Merger, Merger Sub will cease as a separate corporate existence and HGI will continue as the surviving corporation. HGI will be wholly-owned by AMFAM upon the consummation of the Merger.

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 October 23, 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 November 6, 2013, in which he ordered that the public hearing be held on December 10, 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 November 19, 2013 and November 26, 2013. The notice of hearing was also filed by the Department with the Office of the Secretary of State on November 12, 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 designated as parties to this proceeding.

Pursuant to Conn. Gen. Stat. Sec. 38a-132(b) (1) which provides that any public hearing regarding the proposed change of control of a Connecticut domestic insurer be held by the Commissioner not later than thirty days after the statement required by section 38a-130 is filed with the Commissioner. On November 20, 2013, the Applicant notified the Department it waived the right to have the hearing within the 30 day period and accepted the hearing scheduled 34 days from the date the Department deemed the Application substantially complete.

On November 6, 2013, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On December 10, 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: David C. Holman, Chief Legal Officer, American Family Mutual Insurance Company.

Thomas R. Hrdlick, Esq. of Foley & Lardner LLP represented the Applicant and Jeffrey Thomas, Esq. of Mitchell, Williams, Selig, Gates & Woodyard represented the Domestic Insurer.

The following Department staff participated in the public hearing: Joan Nakano, Insurance Supervising Examiner and N. Beth Cook, Counsel.

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. Applicants' principal business address is 6000 American Parkway, Madison, Wisconsin 53783.
2. AFMIC is a Wisconsin mutual insurance company.
3. AMFAM is a Wisconsin business corporation that is a wholly-owned subsidiary of AFMIC and subject to control by AFMIC.
4. AFMIC's principal business is underwriting insurance.
5. AFMIC has been underwriting insurance since 1927 and with its affiliates, is the third largest mutual property and casualty insurer and fourteenth largest property and casualty insurance group in the United States.
6. AFMIC and its affiliates offer personal lines auto, home, life and annuity policies, as well as commercial lines business, farm and ranch insurance in 32 states including Connecticut.
7. AFMIC and/or its affiliates employ more than 7,700 people and have approximately \$17.9 billion in aggregate assets under management and approximately \$6.1 billion in aggregate policyholder surplus.
8. AMFAM's principal business is to operate as an intermediate holding company for purposes of owning, directly or indirectly, the issued and outstanding shares of capital stock of downstream subsidiaries of AFMIC.

9. The Applicants intend to maintain their current business operations as set forth above for the foreseeable future.

10. AMFAM intends to acquire 100% of the issued and outstanding shares of HGI and will indirectly control 100% of the stock of the Domestic Insurer.

11. The Applicants and certain shareholders of HGI have entered into a voting Agreement ("Voting Agreement") dated September 4, 2013 whereby those shareholders of HGI agreed to vote in favor of the Merger.

12. At the time the Merger Agreement was signed, there were (i) 261,439.74 shares of common stock of HGI (the "Common Stock") issued and outstanding, (ii) certain stock options issued under a Company Equity Plan for the acquisition of Common Stock at specified prices and terms (the "Options") granted and outstanding, and (iii) certain outstanding Restricted Stock Units, each representing a notional unit of measurement under the Homesite Group Incorporated Long Term Compensation Plan denominated as a share of Common Stock which entitles the holder to a payment on account of such Restricted Stock Unit in an amount and on the date specified in the Restricted Stock Unit (each a "Restricted Stock Unit").

13. At the closing of the Merger, Merger Sub will be merged with and into HGI, with HGI as the surviving corporation ("Surviving Company"). Pursuant to the Merger Agreement, each share of common stock of Merger Sub which is issued and outstanding immediately prior to the effective date of the Merger shall be converted into and become one (1) validly issued, fully paid and non-assessable share of common stock of the Surviving Company. As a result of the Merger, Applicant will own 100% of the issued and outstanding voting shares of HGI, and will thereby acquire control of HGI and the Insurer.

14. As consideration for the Merger, and subject to the terms and conditions of the Merger Agreement, the Applicant will pay to the current holders of Common Stock, Options and Restricted Stock Units (collectively, the "Sellers") cash in the amount of Six Hundred Sixteen Million Dollars (\$616,000,000), (A) plus the Company GAAP Equity reported in the Closing Statement as adjusted for the Transaction Adjustments, minus the Company GAAP Equity as of June 30, 2013 as calculated and set forth in Schedule 2.04 attached to the Merger Agreement (the "Company GAAP Equity Adjustment"), and (B) minus the Transaction Expenses paid by or due from the Company (the "Merger Consideration").

15. The Applicant will exchange the Merger Consideration detailed above for all of

the issued and outstanding shares of HGI. A portion of the Merger Consideration equal to eight percent (8%) of the Final Merger Consideration amount will be paid into an escrow account where it will be available, subject to the terms and conditions of the Merger Agreement, to satisfy the Applicant's claims for indemnification (if any) asserted within sixteen (16) months after closing.

16. A portion of the Estimated Merger Consideration equal to the Merger Consideration Adjustment Holdback will be held back by Applicant, subject to the terms and conditions of the Merger Agreement, to fund the Sellers' potential obligations under the Merger Agreement to refund a portion of the Estimated Merger Consideration in connection with the Company GAAP Equity Adjustment calculation.

17. A portion of the Merger Consideration will be paid as the Representative Amount to the Securityholders' Representative.

18. AFMIC intends to finance \$500 million of the Merger Consideration through a 30 year fixed rate advance through the Federal Home Loan Bank of Chicago. The financing will be fully collateralized by AFMIC with certain of its existing assets and the remaining balance of the Merger Consideration will be paid from Applicant's existing surplus.

19. The Domestic Insurer will not act as a borrower or guarantor on the financing, nor will any of its assets be pledged as security or collateral for the financing.

20. There is no financing contingency in the Merger Agreement and the financing will be repaid from the general revenues of Applicants.

21. 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.

22. 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.

23. Owens OnLine, Inc, a third party background check agency, submitted to the Department verification reports of the biographical affidavits on November 4, 2013.

24. Following are the names and titles of the respective directors and executive

officers of the Applicants at the effective date of the Acquisition:

AFMIC Directors

Jack C. Salzwedel	CEO and Chairman of the Board of Directors
Daniel R. Schultz	President and Chief Operating Officer, Director
David R. Anderson	Director
Londa J. Dewey	Director
Leslie Ann Howard	Director
Ted D. Kellner	Director
Rakesh Khurana	Director
Michael M. Knetter	Director
R. Scott Malmgren	Director
Walter M. Oliver	Director
Eliot G. Protsch	Director
Paul S. Shain	Director
Thomas Zimbrick	Director

AFMIC Officers

Jack C. Salzwedel	CEO and Chairman of the Board of Directors
Daniel R. Schultz	President and Chief Operating Officer
Daniel J. Kelly	Chief Financial Officer, Treasurer
David C. Holman	Chief Legal Officer, Secretary
Mark V. Afable	Executive Vice President
Gerry W. Benusa	Executive Vice President
Peter C. Gunder	Executive Vice President
David A. Graham	Chief Investment Officer
Kristin R. Kirkconnell	Chief Information Officer
Jerome G. Rekowski	Chief Business Integration Officer
Mary L. Schmoeger	Executive Vice President
William B. Westrate	Executive Vice President

AmFam Directors

Jack C. Salzwedel	CEO and Chairman of the Board of Directors
Daniel R. Schultz	President and Chief Operating Officer
David C. Holman	Director

AmFam Officers

Jack C. Salzwedel	CEO and Chairman of the Board of Directors
Daniel R. Schultz	President and Chief Operating Officer
Peter C. Gunder	Executive Vice President
Daniel J. Kelly	Chief Financial Officer, Treasurer
David C. Holman	Chief Legal Officer, Secretary
David A. Graham	Chief Investment Officer
Kari E. Grasee	Vice President, Controller
Martin T. Chiaro	Assistant Treasurer
Ann F. Wenzel	Assistant Secretary

25. The Domestic Insurer's officers and directors prior to the Proposed Acquisition are set forth below:

Directors

Douglas Andrew Batting	Director
Christopher Lewis Conti	Independent Director
Kenneth Francis Flaherty	Independent Director
Fabian John Fondriest	Chairman
Michael David Lorian	Director
James Thomas Morahan, Jr.	Director
Anthony Matthew Scavongelli	Director
Mike Thomas Southworth	Independent Director
Samuel Joe Witsman	Independent Director

Officers

Fabian John Fondriest	CEO
Douglas Andrew Batting	President
Andrew Allison McElwee, Jr.	Executive Vice President
Michael David Lorian	Senior Vice President, Chief Financial Officer
Anthony Matthew Scavongelli	Senior Vice President, General Counsel and Secretary
Christopher Lewis Conti	Senior Vice President
Peter Benjamin Settel	Senior Vice President

26. The Domestic Insurer's officers and directors following the Proposed Acquisition will not change.

27. The HGI officers and directors prior to the Proposed Acquisition are set forth below:

Directors

James Nathan Bailey	Director
Joseph P. Brandon	Director
Kerry Andrew Emanuel	Independent Director
Fabian John Fondriest	Chairman
Colleen M. Granahan	Director
Howard Ira Hoffen	Director
Mitchell Moses Merin	Independent Director
Sandra Ann Urie	Independent Director
David Van Geyzel	Director

Officers

Fabian John Fondriest	CEO, President
Douglas Andrew Batting	Executive Vice President

Andrew Allison McElwee, Jr.	Executive Vice President
Michael David Lorion	Senior Vice President, Chief Financial Officer
Anthony Michael Scavongelli	Senior Vice President, General Counsel, Secretary
Christopher Lewis Conti	Senior Vice President
Peter Benjamin Settel	Senior Vice President

28. The HGI directors following the Proposed Acquisition are set forth below:

Directors

Jack C. Salzwedel	Director
Daniel R. Schultz	Director
Daniel J. Kelly	Director
David C. Holman	Director
Fabian John Fondriest	Director

29. The HGI officers will not change following the Proposed Acquisition.

30. The Applicants have not yet developed an integration plan in connection with The Proposed Acquisition however, it is the Applicants' intent for the domestic Insurer and HGI to continue to operate without substantial change.

31. The Domestic Insurer will remain a separate brand from the Applicants.

32. Following closing of the Proposed Transaction, the Applicants will work with the Domestic Insurer and HGI to determine which, if any, capabilities within the existing operations of either party can be leveraged as part of future operations of the post Applicants' group of insurers.

33. The Applicants have no plans to change the Enterprise Risk Management or Corporate Governance structures of the Domestic Insurer following the Proposed Acquisition except that , following the closing of the Proposed Acquisition, the Audit Committee of AMFIC will serve as the Audit Committee for the Domestic Insurer. AMFIC will prepare and file for both HGI and the Domestic Insurer the Own Risk and Solvency Assessment ("ORSA") reports required in those states that have adopted the NAIC ORSA Model Act.

34. The Applicants confirms that they will remain in compliance with Bulletin FS -2 with respect to custody arrangements for securities and all books and records will remain in their current location with the Domestic Insurer.

35. 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.

36. Other than as set forth in the Agreement, neither the Applicants, their affiliates or the persons listed in Item 3 of the Application currently have a beneficial ownership of, or the right to acquire beneficial ownership of, the voting securities, or any securities convertible into or evidencing a right to acquire voting securities of HGI of the domestic Insurer.

37. Except for the Agreement and the Voting Agreement, there are no contracts, arrangements or understandings with respect to any voting security or any security convertible into or evidencing a right to acquire a voting security of HGI or the Domestic Insurer involving the Applicants, their affiliates, or any of the persons listed in Item 3 of the Application, including, but not limited to, transfer of any of the securities, 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.

38. There have been no direct or indirect purchases of any voting securities of HGI or the Domestic Insurer by the Applicants, their affiliates, or any person listed in Item 3 of the Application during the twelve calendar months preceding the filing of this Application.

39. Except for the Agreement, neither the Applicants nor anyone acting on their behalf have made any recommendations to purchase any voting security of HGI or the Domestic Insurer during the twelve calendar months preceding the filing of this Application.

40. There are no agreements, contracts or understandings with any broker-dealer as to solicitation of voting securities of HGI or the Domestic Insurer for tender.

41. The Applicants received informal guidance from the Federal Trade Commission that the Proposed Acquisition did not require a Hart-Scott-Rodino filing.

42. The Proposed Acquisition will not substantially lessen competition in Connecticut or create a monopoly therein.

43. The only potentially overlapping lines of business in Connecticut between AFMIC entities and the Domestic Insurer are Fire, Allied Lines, Homeowners and

Multiple Peril, and Workers' Compensation.

44. AMFIC entities are not currently writing any business in Connecticut.

45. Based on 2012 direct written premium figures for the two groups' combined market share in Connecticut in these lines of business are 0%, 0%, 1.9% and 0%, respectively (based on data from the SNL Financial, LC database), and those numbers are entirely driven by the business written by the Domestic Insurer.

46. Audited Consolidated Financial Statements for AFMIC and its affiliated property and casualty insurers and audited financial statements for AFMIC's affiliated life insurance company, American Family Life Insurance Company, for the preceding five fiscal years were provided.

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

48. AFMIC has a financial strength rating of "A" (Excellent) with a stable outlook and an issuer credit rating of "a" (Excellent) from A.M. Best.

49. As of December 31, 2012, AFMIC had statutory policyholder surplus of \$5.2 billion and statutory admitted assets of \$11.6 billion.

50. The Applicants and various affiliates had consolidated GAAP equity of approximately \$6.1 billion and consolidated GAAP assets of approximately \$19.9 billion.

III. DISCUSSION

Section 38a-132(a) 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(b) requires that a multi-line domestic stock property and casualty 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 Applicants have 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 Applicants have identified they do not intend to move the books and records from their current approved location.

The Applicants confirmed that they will remain in compliance with Bulletin FS-2 with respect to custody arrangements for securities.

The Applicants also submitted evidence that the information contained in the biographical affidavits and the third party verification reports for the directors and officers of the Applicants 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 only potentially overlapping lines of business in Connecticut between AFMIC entities and the Domestic Insurer are Fire, Allied Lines, Homeowners and Multiple Peril, and Workers' Compensation, however, AMFIC entities are not currently writing any business in Connecticut. Based on 2012 direct written premium figures for the two groups' combined market share in Connecticut in these lines of business are 0%, 0%, 1.9% and 0%, respectively (based on data from the SNL Financial, LC database), and those numbers are entirely driven by the business written by the Domestic Insurer. 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 Applicants are 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 Applicants might jeopardize the financial condition of the Domestic Insurer, or prejudice the interest of its policyholders.

D. Whether the plans or proposals which the Applicants have 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 Applicants have 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 Applicants 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 Applicants have represented, and the biographical affidavits confirm, that during the last ten years, none of the proposed directors or officers of the Applicants and Domestic Insurer has 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 Applicants 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 Applicants 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 Applicants and the affirmation that the current plans of the Applicants 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 December 10, 2013 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in Conn. Gen. Stat. §38a-132(a) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to section 38a-132(a) 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 Applicants is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of the 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 they seek 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 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.
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6. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.
7. For the period of two years, the Applicants 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 Applicants and Domestic Insurer.
8. The books and records of the Domestic Insurer shall remain at their current location. Any change in location will be required to be prior approved by the Commissioner pursuant to Conn. Gen. Stat. §38a-57.
9. 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 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 Applicants and the Domestic Insurer.

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

Dated at Hartford, Connecticut, this 11th day of December, 2013


Kathy Belfi
Hearing Officer