



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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In the Matter of:

**PROPOSED ACQUISITION OF CONTROL OF  
SPARTA INSURANCE COMPANY**

and

**SPARTA SPECIALTY INSURANCE COMPANY**

**Docket No. EX14-42**

by

**CATALINA HOLDINGS (BERMUDA) LTD.**

and

**ALEA HOLDINGS U.S. COMPANY**  
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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 September 4th, 2014 and issue the following order, TO WIT;

1. Disclaimers of Affiliation are approved for CDP VSI I Limited Partnership; 1397225 Ontario Limited; and, Apollo Rose, L.P.
2. The Application of the Applicant in which they seek approval to acquire control of the Domestic Insurers is hereby approved.
3. The Applicant and Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
4. 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.

5. The Applicants shall provide the Insurance Department with written details of the final funding arrangements used to complete the acquisition.
6. 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.
7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. §38a-138-10.
8. 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.
9. 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-54-11a(i) of the Regulations of Connecticut State Agencies.
10. 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 Insurers; changes in offices of the Domestic Insurers; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants and Domestic Insurers.
11. The books and records of the Domestic Insurers 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.
12. 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 Insurers.

13. 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 5th day of September, 2014.

A handwritten signature in blue ink that reads "Thomas B. Leonardi". The signature is written in a cursive style with a large initial 'T'.

Thomas B. Leonardi  
Insurance Commissioner



**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

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**PROPOSED FINAL DECISION**

**I. INTRODUCTION**

On April 15, 2014, Catalina Holdings (Bermuda) Ltd (“CHBL”), a Bermuda registered and domiciled company and Alea Holdings U.S. Company (“AHUSCO” and collectively with CHBL, “Applicant”), a Delaware company 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 SPARTA Insurance Company (“SIC”) and SPARTA Specialty Insurance Company (“SSIC and with SIC, SPARTA or Domestic Insurers”), both Connecticut domestic insurers.

The Proposed Acquisition, if approved, will be effected pursuant to the terms of the Stock Purchase Agreement (the “Agreement”) by and among CHBL, SPARTA Insurance Holdings, Inc. (“SPARTA Holdings”), and other Sellers as identified in their capacities as members of the Seller Representative Committee dated as of March 24, 2014. Control of

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the Domestic Insurers will be acquired by the purchase of all the issued and outstanding share capital of SPARTA Holdings, the current Delaware domiciled group parent and controlling person of SPARTA.

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 Insurers 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 July 2, 2014, 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 August 1, 2014, in which he ordered that the public hearing be held on August 28, 2014 concerning the application for approval of the Proposed Acquisition of the Domestic Insurers. 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 August 18, 2014 and was published on the Department's internet website. In accordance with Conn. Agencies Regs. §38a-8-48, the Applicant and the Domestic Insurers were designated as parties to this proceeding.

On August 1, 2014, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On August 28, 2014, the public hearing on the Proposed Acquisition of the Domestic Insurers was held before the undersigned. The following individuals testified at the public hearing on behalf of the Applicant: Martha Bannerman, General Counsel and Director of Quanta U. S. Holdings, a Catalina group company and Director of Alea Holdings U. S. Company and Keith Lyon, Group General Counsel, Catalina Holdings (Bermuda) Ltd).

Sam S. F. Caligiuri, Esq. and Kathleen D. Monnes, Esq., filed appearances and represented the Applicant.

The following Department staff participated in the public hearing: Joan Nakano, Insurance Supervising Examiner and 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. AHUSCO is a Delaware company having a principal place of business at 55 Capital Boulevard, Rocky Hill, CT 06067.
2. AHUSCO was incorporated on September 1, 1998 as RR Holdings (US), Inc, and changed its name on August 31, 2000 to Alea Holdings U. S. Company.
3. AHUSCO is an intermediate United States holding company domiciled in Delaware to own the United States operations of the Alea group United States operations.
4. AHUSCO is directly wholly owned by FIN LLC, a Delaware company, which is directly owned by Alea Insurance Holdings Ltd., a Bermuda company which is directly wholly owned by Alea Group Holdings Bermuda Ltd, a Bermuda company, which is in turn directly wholly owned by Catalina Hotel Ltd;, a Bermuda company which is directly wholly owned by CHBL.
5. CHBL is a Bermuda registered and domiciled company having a principal place of business at Cumberland House, 7<sup>th</sup> Floor, One Victoria Street, Hamilton HM 11, Bermuda.
6. CHBL has a registered office address at 5<sup>th</sup> Floor, Andrew's Place, 51 Church Street, Hamilton HM12, Bermuda.
7. CHBL was incorporated on June 25, 2007 and closed its original institutional capital raising in mid-July 2007.
8. CHBL is the ultimate controlling entity of the Catalina group ("Catalina").
9. CHBL's business is focused exclusively on the acquisition of non-life insurance and reinsurance companies in run-off, and acquiring or reinsuring portfolios of such business in run-off.
10. CHBL plans to continue in the business of acquiring and running-off non-life insurance and reinsurance businesses.
11. CHBL has a strong position among companies in the insurance company run-off market; it has closed twenty-six percent (26%) of the run-off deals consummated over the last three years.

12. Since its inception in 2007, CHBL has made eleven (11) acquisitions with a total net asset value of \$1.1 billion.
13. As of December 31, 2013, CHBL had total assets of nearly \$1.4 billion, with a total net asset value of \$355 million.
14. As of June 30, 2014, CHBL has nearly \$2.27 billion in total assets and \$371 million in total net asset value.
15. CHBL employs almost 100 employees worldwide.
16. CHBL is a closely held corporation with four Investor Shareholder (“Shareholders”) groups as follows:
  - a. CDP VSI I Limited Partnership, the Quebec based investment vehicle of Caisse de depot et placement du Quebec (“CDPQ”) which owns approximately 30% of CHBL’s ordinary voting shares on behalf of its various investors;
  - b. 1397225 Ontario Limited, an Ontario based investment vehicle of the Ontario Teachers’ Pension Plan Board (“Ontario”), which owns approximately 18% of CHBL’s ordinary voting shares;
  - c. Apollo Rose, L.P., a Cayman Islands exempted limited partnership which is an investment vehicle subscribed by funds managed by Apollo Global Management LLC, which owns approximately 39% of CHBL’s ordinary voting shares on behalf of its various investors;
  - d. Management owns the remaining 13% of CHBL’s ordinary voting shares; no single manager owns 10% or more of the shares on an individual basis.
17. None of the Shareholders that own more than 10% of the voting shares of CHBL has actual control over CHBL.
18. None of the Shareholders has the power to direct, or cause the direction of, the management and policies of any of the individual operating companies within the Catalina group.
19. None of the Shareholders commands a majority of the CHBL board (each Shareholder holds only two of the nine board seats), and any board action requires at least two Shareholder Directors representing at least two different Shareholders to vote in favor of such action.
20. There is no agreement or other arrangement pursuant to which the three Shareholders or their six appointed Shareholder Directors have agreed to vote on matters as a block.

21. Other than with a few rare exceptions discussed in the Form A, the CHBL board does not actively oversee the management of the individual operating companies in the Catalina group.
22. Each subsidiary company within the Catalina group is managed by its own board and executive management, and not a single one of the directors that are appointed to the CHBL board by the three Shareholders sits as a director on the boards of any of the companies in the Catalina group below the CHBL level.
23. None of the Shareholder Directors attends the weekly management calls, Large Loss Committee meetings, the Reserve Committee meetings, the Commutation Committee meetings or the Risk Management Committee meetings held at each regulated entity.
24. The CHBL board oversees the portfolio of companies within the Catalina group on an overall group (rather than a detailed individual) basis as part of the normal agenda business at CHBL's quarterly board meetings when a high level financial and operational performance update report is provided to the full CHBL board.
25. Each Shareholder has submitted disclaimer filings rebutting the presumption of control.
26. The Colorado Division of Insurance and The New York Department of Financial Services have approved disclaimers of control for the Shareholders.
27. On March 3, 2014, SPARTA reached an agreement with Arch Insurance Company ("Arch"), an A+ rated insurance company licensed nationwide and domiciled in Missouri, for the latter to assume renewal rights on the Domestic Insurers captive business.
28. CHBL plans to put the Domestic Insurers fully into orderly self-managed run-off which the Domestic Insurers had already commended.
29. One of CHBL's key objectives in the run-off is to ensure that the Domestic Insurers continue to have due regard to the interests of their policyholders in connection with the settlement of valid and agreed claims.
30. With the exception of the potential shell sale transaction relating to SSIC as envisaged within the Agreement, CHBL has no other present plans or intentions to liquidate the Domestic Insurers, to sell their assets or merge or consolidate either company.



31. Immediately following the acquisition of control, the Domestic Insurers would each continue to satisfy the requirements for the issuance of a license to write the line or lines of business for which each company is presently licensed.
32. The acquisition of control would not have the effect of substantially lessening competition of insurance in Connecticut or tend to create a monopoly therein, as the Domestic Insurers have already stopped writing new business.
33. Other than an inter-company services agreement for which the Applicant will submit a Form D with the Department, CHBL does not expect to cause the Domestic Insurers to enter into material contracts of any kind.
34. CHBL intends to continue to work with Arch to facilitate the efficient transition of employees and infrastructure, however it is anticipated that a few employees will not be needed in either the Domestic Insurers' run-off operation or Arch's on-going operations.
35. The Applicant anticipates that between 25 and 33 employees will be retained, seven (7) have already transferred to Arch with perhaps two (2) more to follow; four (4) have end dates in September, and 17 have already been terminated by, or resigned from, the Domestic Insurers as they have transitioned into run-off.
36. The Domestic Insurers will continue to be maintained at the principal place of business at CITY Place II, 185 Asylum Street, Hartford, Connecticut.
37. The Applicant proposes to acquire the Domestic Insurers through the purchase of all of the issued and outstanding stock of SPARTA Holdings, the parent and ultimate controlling person of SIC and SSIC, in exchange for a cash base purchase price of \$141.1 million, subject to certain adjustments set forth in Agreement.
38. The acquisition of SPARTA is not subject to any financing contingency, as CHBL has the available cash resources and capital commitments from its Shareholders to meet the agreed upon purchase price.
39. The acquisition will be accomplished via a combination of cash on hand and drawn debt.
40. CHBL does intend to appoint some Board members and management as reflected in the Business Plan.
41. The biographical affidavits executed by the current and proposed directors and executive officers of the Applicant and the Domestic Insurers 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 Insurers after the Proposed Acquisition.

42. Fidelifax\Metropolitan New York, Inc., a third party background check agency, submitted to the Department verification reports of the biographical affidavits on June 19, 2014.
43. Following are the names and titles of the respective directors and executive officers of the Applicant at the effective date of the Acquisition:

**CHBL:**

Name	Position
Christopher M. Fagan	Director/President/Chairman Chief Executive Officer
Brenda M. Lehmann	Vice President Alt. Director to Dean Dwonczyk
M. Dean Dwonczyk	Director Chief Actuary
Yvon Trepanier	Director
Michael P. Wissell	Director
Philippe Trahan	Director
Alexander Humphreys	Director
Francois Boudreault	Director
Gernot Lohr	Director
Caroline Foulger	Director
Christopher Fleming	Chief Financial Officer
Peter Harnik	Chief Investment Officer
Campbell McBeath	Treasurer
OSIRIS Limited	Corporate Secretary
Keith A. Lyon	General Counsel and Alternate Director to Christopher Fagan

**AHUSCO:**

Peter D. Johnson	President and Chief Executive Officer, Director
Martha G. Bannerman	SVP and Director
Susan S. Clafin	SVP, General Counsel and Secretary
Craig M. Thomas	SVP and Chief Financial Officer

44. Following are the names and titles of the respective directors and executive officers of the Domestic Insurers pre and post Proposed Acquisition:

**Pre-Proposed Acquisition:**

**SPARTA Insurance Company - Directors**

Name	Title
Geoffrey Peter McKay Adamson	Director
William Charles Mulligan	Director
Andrew Alfred Stern	Director
Jeffrey Andrew Weber	Director
Ralph Edward Jones III	Chairman and Director
Nicholas Biddle Paumgarten	Director
Jeremy Simon Schein	Director
William Charles Vratos	Director

**SPARTA Insurance Company - Officers**

Name	Title
Dawne Ellen Ware	President, CEO and CFO
Michael Arthur Visintainer	EVP, Secretary, Chief Actuary & Chief Underwriting Officer
Patricia Maureen Bailey Shea	EVP & Chief Information Officer
Susan Bennett Putterman	EVP & Chief Claims Officer
James Anthony FitzPatrick, Jr. (Hogan Lovells)	Asst. Secretary
Debra F. Tomasino	SVP of Human Resources
Tracey Ann Price	SVP, Controller and Treasurer
LeighAnn Kissner	Senior Vice President
John R. Mindek, Jr.	Senior Vice President
William H. Lambros	Senior Vice President

Daniel A. Powell	Senior Vice President
Daniel A. Waxler	Senior Vice President
Chet W. Koelsch	Vice President
Matthew G. Smith	Vice President
Terence M. Smith	Vice President
Robert Mathis	Vice President
Lisa G. Marecki	Vice President
Troy Shingleton	Vice President
Seth T. Mahler	Vice President
David C. Lathrope	Vice President
Diane J. Legere	Vice President

**SPARTA Specialty Insurance Company - Directors**

Name	Title
Susan Bennett Putterman	Director
Ralph Edwards Jones III	Chairman and Director
Michael Arthur Visintainer	Director
Debra F. Tomasino	Director
Patricia Maureen Bailey Shea	Director
Dawne Ellen Ware	Director

**SPARTA Specialty Insurance Company - Officers**

Name	Title
Dawne Ellen Ware	President, CEO and CFO
Michael Arthur Visintainer	EVP, Secretary, Chief Actuary & Chief Underwriting Officer
Patricia Maureen Bailey Shea	EVP & Chief Information Officer
Susan Bennett Putterman	EVP & Chief Claims Officer



James Anthony FitzPatrick, Jr. (Hogan Lovells)	Asst. Secretary
Debra F. Tomasino	SVP of Human Resources
Tracey A. Price	SVP, Controller and Treasurer
Leigh Ann Kissner	Senior Vice President
John R. Mindek	Senior Vice President
William H. Lambros	Senior Vice President
Daniel A. Powell	Senior Vice President
Daniel A. Waxler	Senior Vice President
Chet W. Koelsch	Vice President
Matthew G. Smith	Vice President
Terence M. Smith	Vice President
Robert Mathis	Vice President
Lisa G. Marecki	Vice President
Troy Shingleton	Vice President
Seth T. Mahler	Vice President
David C. Lathrope	Vice President
Diane J. Legere	Vice President

**Post-Proposed Acquisition:**

**SPARTA Insurance Company - Directors**

Name	Title
Peter Durwood Johnson	Chairman and Director
Dawne Ellen Ware	Director
Martha Graeme Bannerman	Director
Gerald (Gary) Haase	Director
Keith Andrew Lyon	Director
Susan Bennett Putterman	Director

## SPARTA Insurance Company - Officers

Dawne Ellen Ware	President and CFO
Patricia Maureen Bailey Shea	EVP & Chief Information Officer
Susan Bennett Putterman	EVP & Chief Claim Officer
Peter Louis Harnik	Chief Investment Officer
Tim Walker	Head of Risk
Gerald (Gary) Haase	COO, Head of Commutations & Outwards Reinsurance
Duncan Campbell McBeath	Treasurer
Susan Claflin	General Counsel & Secretary
Debra F. Tomasino	SVP of Human Resources
Tracey Ann Price	SVP, Controller
LeighAnn Kissner	Senior Vice President
John R. Mindek, Jr.	Senior Vice President
William H. Lambros	Senior Vice President
Daniel A. Powell	Senior Vice President and Reserving Actuary
Daniel A. Waxler	Senior Vice President
Chet W. Koelsch	Vice President
Matthew G. Smith	Vice President
Terence M. Smith	Vice President
Robert Mathis	Vice President
Lisa G. Marecki	Vice President
Troy Shingleton	Vice President
Seth T. Mahler	Vice President
David C. Lathrope	Vice President
Diane J. Legere	Vice President and Asst. Secretary

### SPARTA Specialty Insurance Company - Directors

Name	Title
Peter Durwood Johnson	Director
Dawne Ellen Ware	Director
Martha Graeme Bannerman	Director
Gerald (Gary) Haase	Director
Keith Andrew Lyon	Director
Susan Bennett Putterman	Director

### SPARTA Specialty Insurance Company - Officers

Dawne Ellen Ware	President and CFO
Patricia Maureen Bailey Shea	EVP & Chief Information Officer
Susan Bennett Putterman	EVP & Chief Claim Officer
Peter Louis Harnik	Chief Investment Officer
Tim Walker	Head of Risk
Gerald (Gary) Haase	COO, Head of Commutations & Outwards Reinsurance
Duncan Campbell McBeath	Treasurer
Susan Claflin	General Counsel and Secretary
Debra F. Tomasino	SVP of Human Resources
Tracey Ann Price	SVP, Controller
LeighAnn Kissner	Senior Vice President
John R. Mindek, Jr.	Senior Vice President
William H. Lambros	Senior Vice President
Daniel A. Powell	Senior Vice President and Reserving Actuary

Daniel A. Waxler	Senior Vice President
Chet W. Koelsch	Vice President
Matthew G. Smith	Vice President
Terence M. Smith	Vice President
Robert Mathis	Vice President
Lisa G. Marecki	Vice President
Troy Shingleton	Vice President
Seth T. Mahler	Vice President
David C. Lathrope	Vice President
Diane J. Legere	Vice President and Asst. Secretary

45. The Applicant confirms it 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 Insurers.
46. Following the completion of the Proposed Acquisition, and except for the potential shell sale relating to SSIC as envisaged within the Agreement, the Applicant has no present plans or proposals to: (i) cause the Domestic Insurers to declare an extraordinary dividend; (ii) liquidate the Domestic Insurers; (iii) sell the Domestic Insurers' assets; (iv) merge or consolidate the Domestic Insurers with any person or persons; (v) make any other material change in its business operations or corporate structure or cause the Domestic Insurers 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.
47. Other than as set forth in the Agreement, neither the Applicant, its 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 the Domestic Insurers.
48. 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 the Applicant or the Domestic Insurers involving the Applicant, 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.

49. There have been no direct or indirect purchases of any voting securities of the Applicant or the Domestic Insurers by the Applicant, its affiliates, or any person listed in Item 3 of the Application during the twelve calendar months preceding the filing of this Application.
50. Except for the Agreement, neither the Applicant nor anyone acting on its behalf have made any recommendations to purchase any voting security of the Domestic Insurers during the twelve calendar months preceding the filing of this Application.
51. There are no agreements, contracts or understandings with any broker-dealer as to solicitation of voting securities of the Domestic Insurers for tender.
52. The Proposed Acquisition will not substantially lessen competition in Connecticut or create a monopoly therein.
53. The Hart-Scott-Rodino waiting period expired with no comment on May 12, 2014.

### **III. DISCUSSION**

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

- (A) After the change of control, the Domestic Insurers 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 Insurers or prejudice the interest of their policyholders;



- (D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurers, sell their assets or consolidate or merge them 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 Insurers and not in the public interest;
- (E) The competence, experience and integrity of those persons who would control the operations of the Domestic Insurers are such that it would not be in the interest of the policyholders of the Domestic Insurers and of the public to permit the merger or other acquisition of control: or
- (F) The acquisition of control of the Domestic Insurers is likely to be hazardous or prejudicial to those buying insurance.

**A. The ability of the Domestic Insurers 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 Insurers are 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 Insurers currently satisfy the requirement for the issuance of a license to write the lines of business for which they are licensed.

As noted in the findings of fact, following completion of the Proposed Acquisition and with the exception as noted in the Agreement, the Applicant has no plans or proposals to liquidate the Domestic Insurers, to sell their assets, merge, or consolidate the Domestic Insurers with any other person or entity. There are no plans for the Domestic Insurers 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 has identified it does not intend to move the books and records from their current approved location.

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

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 Insurers attest to the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurers, and should insure the safe and expert operation of the Domestic Insurers following completion of the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that the Domestic Insurers will be able to satisfy the requirements for the issuance of the necessary license of an insurer for which they are presently licensed following completion of the Proposed Acquisition of control.

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

The Domestic Insurers are in run-off and do not anticipate selling any new business. The undersigned hereby finds that the effect of the acquisition of control of the Domestic Insurers 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 Insurers 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 Insurers, or prejudice the interest of its policyholders.

**D. Whether the plans or proposals which the Applicant has to liquidate the Domestic Insurers, 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 Insurers and not in the public interest.**

The record reveals that the Applicant has no current plans or proposals to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any other entity

other than as noted in the Agreement. Accordingly, the record supports and the undersigned hereby finds that there are no material plans or proposals for the Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the public interest.

**E. Whether the competence, experience and integrity of those persons who would control the operation of the Domestic Insurers are such that it would not be in the interest of the policyholders of the Domestic Insurers 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 Insurers 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 Insurers 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 Applicant or Domestic Insurers 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 Insurers 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 these individuals. Accordingly, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurers after the completion of the Proposed Acquisition is such that it would be in the interest of policyholders of the Domestic Insurers 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 Insurers will provide a strong and stable financial



environment for the Domestic Insurers, 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. DISCLAIMER OF AFFILIATION**

Conn. Gen. Stat. §38a-135(j) provides that a disclaimer of affiliation may be filed by any person or insurance company. The disclaimer shall fully disclose all material relationships and bases for affiliation between such person and such insurance company as well as the basis for disclaiming such affiliation. Based on the disclosures relating to the three Investor Shareholders and their lack of control over the management of the Applicant, the undersigned hereby finds that it would be reasonable to grant a disclaimer of affiliation to each of the Shareholders who has so filed.

#### **V. 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 August 28, 2014 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 Insurers will be able to satisfy the requirements for the issuance of a license for 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 Insurers or prejudice the interest of the policyholders; (iv) the Applicant's plans or proposals for the Domestic Insurers are not unfair and unreasonable to the policyholders of the Domestic Insurers and are in the public interest; (v) the competence, experience and integrity of the management of the Applicant and Domestic Insurers are such that it would be in the interest of the policyholders of the Domestic Insurers 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. Disclaimers of Affiliation are approved for CDP VSI I Limited Partnership; 1397225 Ontario Limited; and, Apollo Rose, L.P.
2. The Application of the Applicants in which they seek approval to acquire control of the Domestic Insurers is hereby approved.
3. The Applicant and Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
4. 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.
5. The Applicants shall provide the Insurance Department with written details of the final funding arrangements used to complete the acquisition.
6. 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.
7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. §38a-138-10.
8. 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.
9. 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-54-11a(i) of the Regulations of Connecticut State Agencies.
10. 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 Insurers; changes in offices of the Domestic Insurers; and notice of any statutory compliance or

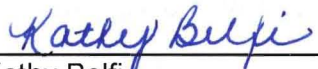
regulatory actions taken by other state regulatory authorities against the Applicants and Domestic Insurers.

11. The books and records of the Domestic Insurers 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.

12. 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 Insurers.

13. 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 4<sup>th</sup> day of September, 2014

  
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Kathy Belfi  
Hearing Officer