

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Endeavour Capital Fund : Companies Act, Article XIV of the
V, LP Requesting Exemption from the : Insurance Company Law of 1921, Act of
Requirements of 40 P.S. §991.1402 to : May 17, 1921, P.L. 682, as amended, 40
Increase its Percentage of Control of K2 : P.S. §§991.1401, 991.1402, and
Insurance Services LLC, Indirect Parent : 991.1403
of Aegis Security Insurance Company :
and American Sentinel Insurance :
Company : Order No. ID-RC-16-13

DECISION AND ORDER

AND NOW, on this 15th day of August, 2016, Joseph DiMemmo, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations, and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. American Sentinel Insurance Company (“American Sentinel”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania.
2. Aegis Security Insurance Company (“Aegis Security”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania. American Sentinel is a direct wholly-owned subsidiary of Aegis Security.

3. American Sentinel and Aegis Security are collectively hereinafter referenced as the “PA Domestic Insurers.”
4. Aegis Security, Inc. (“ASI”) is a holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. Aegis Security is a direct wholly-owned subsidiary of ASI.
5. K2 Insurance Services, LLC (“K2”) is a limited liability company organized under the laws of the State of Delaware with its principal place of business in San Diego, California. ASI is a direct wholly-owned subsidiary of K2.
6. Endeavour Capital Fund V, LP (“Endeavour LP”) is a limited partnership organized under the laws of Delaware with its principal place of business in Los Angeles, California. Endeavour LP currently directly owns 73.91% of the voting securities of K2.
7. Endeavour Capital V, LLC (“Endeavour LLC”) is a limited liability company organized under the laws of Delaware with its principal place of business in Los Angeles, California. Endeavour LLC is the sole general partner of Endeavour LP.
8. Endeavour LLC is an ultimate controlling person of the PA Domestic Insurers.

Filing of the Application

9. On July 11, 2016, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Endeavour LP for approval to increase its indirect control over the PA Domestic Insurers.
10. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
11. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a) does not have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

13. As described in the Request, Endeavour LP, would acquire additional voting securities in K2 resulting in the ownership of 77.78% of the issued and outstanding voting securities of K2.
14. As described in the Request, Endeavour LLC would remain an ultimate controlling person of the PA Domestic Insurers following the transaction.
15. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing or influencing the control of a domestic insurer.
16. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of a controlling interest of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Insurance Commissioner has delegated authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer to the Deputy Insurance Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The increase in the percent of ownership of voting securities as presented in the Request is not being contemplated to change or influence the control of the PA Domestic Insurers, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

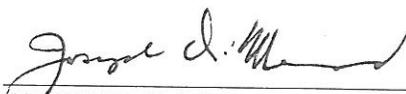
In Re: : Pursuant to Sections 1401, 1402, and
Application of Endeavour Capital Fund : 1403 of the Insurance Holding
V, LP Requesting Exemption from the : Companies Act, Article XIV of the
Requirements of 40 P.S. §991.1402 to : Insurance Company Law of 1921, Act of
Increase its Percentage of Control of K2 : May 17, 1921, P.L. 682, as amended, 40
Insurance Services LLC, Indirect Parent : P.S. §§991.1401, 991.1402, and
of Aegis Security Insurance Company : 991.1403
and American Sentinel Insurance :
Company : Order No. ID-RC-16-13

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the request of Endeavour Capital Fund V, LP for exemption from the requirements of 40 P.S. §991.1402 to increase its percentage of control of K2 Insurance Services, LLC, indirect parent of Aegis Security Insurance Company and American Sentinel Insurance Company, as set forth in the request, is hereby granted.

This Order is effective immediately and valid for one (1) year from the date of signature, provided there are no significant changes from the request.



JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation

