

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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| In Re: | : | Pursuant to Sections 1401, 1402 |
| | : | and 1403 of the Insurance Holding |
| Application of Glacier Capital Holdings, | : | Companies Act, Article XIV of the |
| LLC, Susquehanna Capital Corporation | : | Insurance Company Law of 1921, Act |
| and Insurance Capital Group, LLC in | : | of May 17, 1921, P. L. 682, <u>as</u> |
| Support of the Request for Approval to | : | <u>amended</u> , 40 P.S. §§991.1401, |
| Acquire Control of Capitol Insurance | : | 991.1402 and 991.1403 |
| Company | : | |
| | : | Order No. ID-RC-18-04 |

DECISION AND ORDER

AND NOW, on this 29th day of March, 2018, Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

Identity of PA Domestic Insurer

1. Capitol Insurance Company (“Capitol”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Lafayette Hill, Pennsylvania.
2. Capital Guaranty Holding Corporation (“Capitol Guaranty”) is a foreign corporation organized pursuant to the laws of Florida with its principal place of business in Lauderdale-By-The-Sea, Florida. Capitol Guaranty currently directly holds 100% of the issued and outstanding capital stock of Capitol.

3. Everett A. Sorensen ("Mr. Sorensen") is an individual with his principal place of business in Lauderdale-By-The-Sea, Florida. Mr. Sorensen directly holds 100% of the issued and outstanding stock of Capitol Guaranty.
4. Mr. Sorensen is the sole ultimate controlling person of Capitol.

Identity of Applicant

5. Glacier Capital Holdings, LLC ("Glacier") is a limited liability company organized pursuant to the laws of Pennsylvania with its principal place of business in Wyalusing, Pennsylvania.
6. Susquehanna Capital Corporation ("SCC") is an intermediate stock insurance holding company organized pursuant to the laws of Pennsylvania with its principal place of business in Wyalusing, Pennsylvania. SCC directly holds 51% of the issued and outstanding membership interest of Glacier.
7. Insurance Capital Group, LLC ("ICG") is a limited liability company organized pursuant to the laws of Delaware with its principal place of business in New York, New York. ICG directly holds 49% of the issued and outstanding membership interest of Glacier.
8. Tuscarora Wayne Mutual Group, Inc. ("Tuscarora") is a mutual insurance holding company organized pursuant to the laws of Pennsylvania with its principal place of business in Wyalusing, Pennsylvania. Tuscarora directly holds 99.811% of the issued and outstanding stock of SCC.
9. ICG Management, LLC ("ICG Mgmt") is a limited liability company organized pursuant to the laws of Delaware with its principal place of business in New York, New York. ICG Mgmt is the managing member of ICG.
10. Matthew T. Popoli ("Mr. Popoli") is an individual with his principal place of business in New York, New York. Mr. Popoli directly holds 50% of the issued and outstanding membership interest of ICG and of ICG Mgmt.
11. Craig A. Huff ("Mr. Huff") is an individual with his principal place of business in New York, New York. Mr. Huff directly holds 50% of the issued and outstanding membership interest of ICG and of ICG Mgmt.

Acquisition Filing

12. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all changes in control of domestic

insurers must be filed with the Commissioner for approval or disapproval.

13. On March 6, 2018, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from Glacier, SCC and ICG (collectively “the Applicants”) for approval to acquire control of Capitol.
14. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

15. On March 17, 2018, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by the Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for ten days following the date of the publication (“Comment Period”).
16. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

17. As described in the Application, Glacier, has entered into a Stock Purchase and Contribution Agreement (“the Agreement”) with Capitol Guaranty, Capitol and Mr. Sorensen.
18. As described in the Application and pursuant to the Agreement, Glacier intends to purchase 100% of the issued and outstanding capital stock of Capitol from Capitol Guaranty (“the Acquisition”).
19. As described in the Application, Glacier will pay Capitol Guaranty \$1 (“Purchase Price”) and will contribute to Capitol at closing an amount approved by the Department and acceptable to Glacier that results in statutory surplus of Capitol of at least \$4,300,000 and a ratio of statutory surplus to risk-based capital authorized control level of 325% which amount Glacier estimates will be equal to approximately \$8,000,000 (“the Contribution”).
20. As described in the Application, the Purchase Price and the Contribution will be funded by cash contributed to Glacier’s accounts by SCC and ICG.
21. As described in the Application and subsequent to the Acquisition, Glacier would directly own 100% of the issued and outstanding capital stock of Capitol.

22. As described in the Application, Tuscarora, Mr. Popoli and Mr. Huff would become the ultimate controlling persons of Capitol as a result of the Acquisition.

Standards for Review

23. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
24. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

Licensing Requirements

25. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
26. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
27. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
28. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
29. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Capitol is required to maintain a minimum paid up capital stock of \$850,000 and a minimum paid in surplus of \$425,000 to write the lines of insurance for which it is presently licensed.
30. Upon completion of the Acquisition, Capitol will have the statutory minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.

Competitive Impact

31. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a

monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).

32. The acquisition of control of Capitol will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of the insurance company subsidiaries of Applicants licensed to transact the business of insurance in Pennsylvania and the market shares of Capitol, as stated in the Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

33. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
34. The Department has reviewed the financial information submitted by the Applicants and Messrs. Popoli and Huff.
35. The financial condition of the Applicants and Messrs. Popoli and Huff would not pose any impediments to the change in control nor jeopardize the financial condition of Capitol.

Plans for the Acquired Insurer

36. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
37. In particular, the Department reviewed the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, to determine whether it is:
- a) Unfair or unreasonable;
 - b) Fails to confer a benefit upon policyholders; or
 - c) Not in the public interest.
38. As stated in the Application, the Applicants have no future plans or proposals to liquidate Capitol, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
39. As described in the Application, Capitol’s board of directors will be replaced by representatives of SCC and ICG following the acquisition.

40. As described in the Application, certain officers of SCC will become officers of Capitol following the acquisition.
41. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurer are unfair or unreasonable or fails to confer a benefit upon policyholders or are not in the public interest.

Management

42. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
43. Biographical affidavits for all directors and executive officers of Glacier and SCC and for the managing members of ICG were reviewed by the Department.
44. Biographical affidavits for the anticipated new directors and officers of Capitol were reviewed by the Department.
45. The Department is satisfied that the persons who would control the operations of Capitol have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

46. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
47. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

48. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
49. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.

50. 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 change in control of Capitol.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Capitol.

4. 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.

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ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:


The application of Glacier Capital Holdings, LLC (“Glacier”), Susquehanna Capital Corporation (“SCC”) and Insurance Capital Group, LLC (“ICG”) (collectively, “the Applicants”) in support of the request for approval to acquire control of Capitol Insurance Company (“Capitol”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. The Applicants shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For three (3) years following the effective date of the acquisition, Capitol will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions to the Applicants, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under 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.
3. For a period of two (2) years after the effective date of the subject transaction, Applicants shall provide written notice to the Department of any planned or proposed reductions in staff that would affect more than ten percent (10%) of the employees of

Capitol principally located in Pennsylvania as of the effective date of the subject transaction. For purposes of this condition, as of any date, the ten percent (10%) threshold shall be determined based upon a rolling twelve (12) month period. Such notice, which shall specify the reasons for the reduction in force and include information regarding planned or proposed severance pay and relocation opportunity arrangements, shall be filed with the Department as least thirty (30) days prior to any such planned or proposed reductions.

4. For a period of two (2) years after the effective date of the subject transaction, Capitol shall not close or cease actively doing business from Lafayette Hill, Pennsylvania, or at another location within 25 miles of Lafayette Hill, without application to and the prior written approval of the Department.
5. For three (3) years following the effective date of the acquisition, Capitol shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
6. For three (3) years following the effective date of the acquisition, Capitol shall not attempt to or actually redomesticate to another jurisdiction.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.



Jessica K. Altman
Insurance Commissioner
Commonwealth of Pennsylvania

