

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of LD Investments, LLC in : Companies Act, Article XIV of the  
Support of the Request for Approval to : Insurance Company Law of 1921, Act  
Acquire Control of American Sentinel : of May 17, 1921, P. L. 682, as  
Insurance Company : amended, 40 P.S. §§991.1401,  
: 991.1402 and 991.1403  
: :  
: Order No. ID-RC-18-06

**DECISION AND ORDER**

AND NOW, on this 1st day of August, 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. American Sentinel Insurance Company (“ASIC”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
2. Aegis Security Insurance Company (“Aegis”) is a domestic stock property insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. Aegis currently directly holds 100% of the issued and outstanding stock of ASIC.

3. K2 Insurance Services, LLC (“K2”) is a limited liability company organized under the laws of Delaware with its principal place of business in San Diego, California. K2 currently indirectly holds 100% of the issued and outstanding stock of Aegis.
4. Patrick J. Kilkenny (“Mr. Kilkenny”) is an individual with his principal place of business in Del Mar, California. Mr. Kilkenny currently directly holds 13.5% of the voting securities of K2.
5. Endeavor Capital Fund V, LP (“Endeavor LP”) is a limited partnership organized under the laws of Delaware with its principal place of business in Los Angeles, California. Endeavor LP currently directly holds 77.8% of the voting securities of K2.
6. Endeavor Capital V, LLC (“Endeavor LLC”) is a limited liability company organized under the laws of Delaware with its principal place of business in Los Angeles, California. Endeavor LLC is the sole general partner of Endeavor LP.
7. Mr. Kilkenny and Endeavor LLC are the ultimate controlling persons of ASIC.

#### Identity of Applicant

8. LD Investments, LLC (“LDI”) is a newly-formed limited liability company organized under the laws of Delaware with its principal place of business in Del Mar, California.
9. Mr. Kilkenny is the sole member of LDI and holds 100% of the voting securities of LDI.

#### **Acquisition Filing**

10. 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.
11. On March 2, 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 LDI for approval to acquire control of ASIC.
12. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

### **Department Procedures**

13. On March 24, 2018, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by LDI and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publication (“Comment Period”).
14. The Department received no comments regarding the Application during the Comment Period.

### **Description of the Proposed Acquisition**

15. As described in the Application, on February 14, 2018, LDI, ASIC and Aegis entered into a Stock Purchase Agreement (“the Agreement”).
16. As described in the Application and pursuant to the Agreement, LDI intends to purchase 100% of the issued and outstanding common stock of ASIC from Aegis (“the Acquisition”).
17. As described in the Application, the source of funds would be capital in the form of cash that is contributed to LDI by its sole member.
18. As described in the Application and subsequent to the Acquisition, LDI would directly control 100% of the issued and outstanding stock of ASIC.
19. As described in the Application, Mr. Kilkenny would become the sole ultimate controlling person of ASIC as a result of the Acquisition.

### **Standards for Review**

20. 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.
21. 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**

22. 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.

23. 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.
24. 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).
25. 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).
26. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), ASIC is required to maintain a minimum paid up capital stock of \$2,250,000 and a minimum paid in surplus of \$1,125,000 to write the lines of insurance for which it is presently licensed.
27. Upon completion of the Acquisition, ASIC 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

28. 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”).
29. The acquisition of control of ASIC will not lessen competition or tend to create a monopoly in the Commonwealth because ASIC will remain a member of the same holding company system that it is currently a member.

#### Financial Condition of Applicant

30. 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).
31. The Department has reviewed the financial information submitted by Mr. Kilkenny.

32. The financial condition of Mr. Kilkenny would not pose any impediments to the change in control nor jeopardize the financial condition of ASIC.

Plans for the Acquired Insurer

33. 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.
34. 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.
35. As stated in the Application, Mr. Kilkenny has no future plans or proposals to liquidate ASIC, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
36. As stated in the Application, a new Chief Operating Officer is proposed for ASIC following the Acquisition.
37. As stated in the Application, three current members of ASIC's Board of Directors will be replaced by representatives of LDI following the Acquisition.
38. 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

39. 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.
40. A biographical affidavit from Mr. Kilkenny was reviewed by the Department.

41. Biographical affidavits for the proposed new officer and directors of ASIC were reviewed by the Department.
42. The Department is satisfied that the persons who would control the operations of ASIC 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

43. 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.
44. 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

45. 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.
46. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
47. 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 ASIC.
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 ASIC.
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.

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of LD Investments, LLC in : Companies Act, Article XIV of the  
Support of the Request for Approval to : Insurance Company Law of 1921, Act  
Acquire Control of American Sentinel : of May 17, 1921, P. L. 682, as  
Insurance Company : amended, 40 P.S. §§991.1401,  
: 991.1402 and 991.1403  
:  
: Order No. ID-RC-18-06

**ORDER**

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

The application of LD Investments, LLC (“LDI”) in support of the request for approval to acquire control of American Sentinel Insurance Company (“ASIC”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. LDI 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 a period of two (2) years after the effective date of the subject transaction, ASIC shall not close or cease actively doing business from:
  - a. Harrisburg, Pennsylvania; or
  - b. Any other office located in Pennsylvania,

in each case without application to and the prior written approval of the Department.

3. For a period of three (3) years after the effective date of the subject transaction, ASIC shall not voluntarily withdraw any certificate of authority to engage in the insurance




business in the Commonwealth of Pennsylvania without the prior written approval of the Department.

4. For a period of three (3) years after the effective date of the subject transaction, ASIC shall not attempt to redomesticate to another jurisdiction without the prior written approval of the Department.

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