

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Wilton Reassurance : Companies Act, Article XIV of the
Company in Support of the Request for : Insurance Company Law of 1921,
Approval to Acquire Control of all the : Act of May 17, 1921, P.L. 682,
Issued and Outstanding Capital Stock of : as amended, 40 P.S. §§991.1401,
Keystone State Life Insurance Company : 991.1402, and 991.1403
: :
: Order No. ID-RC-07-14

DECISION AND ORDER

AND NOW, on this 21st day of June, 2007, Randolph L. Rohrbaugh, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company 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

1. Keystone State Life Insurance Company (“Keystone State”) is a stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Northbrook, Illinois.
2. American Heritage Life Insurance Company (“American Heritage”) a stock life insurance company organized under the laws of the state of Florida with its principal place of business located in Northbrook, Illinois. American Heritage directly holds 100% of the issued and outstanding voting stock of Keystone State.
3. Wilton Reassurance Life Company of New York (“Wilton Reassurance – NY”) is a life insurance company organized under the laws of the state of New York with its principal place of business located in Wilton, Connecticut.

4. Wilton Reassurance Company (“Wilton Reassurance – MN”) is a life insurance company organized under the laws of the state of Minnesota with its principal place of business in Wilton, Connecticut. Wilton Reassurance – MN directly holds 100% of the issued and outstanding voting stock of Wilton Reassurance – NY.
5. Wilton Re U.S. Holdings, Inc. (“Wilton Re”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business in Wilton, Connecticut. Wilton Re directly holds 100% of the issued and outstanding voting stock of Wilton Reassurance – MN.
6. Wilton Re Holdings Limited (“Wilton Re Holdings”) is an insurance holding company organized under the laws of Bermuda with its principal place of business located in Hamilton, Bermuda. Wilton Re Holdings directly holds 100% of the issued and outstanding voting stock of Wilton Re.

Acquisition Filing

7. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
8. On February 20, 2007, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Wilton Reassurance – MN for approval to acquire control of Keystone State.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

10. On March 10, 2007, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Wilton Re and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty day period, ending April 9, 2007.
11. The Department received no comments regarding the Application during the thirty day comment period.

Description of the Proposed Acquisition

12. As described in the Application, on November 6, 2006, American Heritage and Wilton Re entered into a Stock Purchase Agreement (“Agreement”) whereby

Wilton Reassurance – MN would acquire all of the issued and outstanding capital stock of Keystone State.

13. As described in the Application and pursuant to the Agreement, Wilton Reassurance – MN would pay American Heritage an amount of approximately \$15.166 million.
14. As described in the Application and permitted by the Agreement, Wilton Re would assign the Agreement to Wilton Reassurance – MN to directly hold the stock of Keystone State upon consummation of the acquisition.

Standards for Review

15. 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.
16. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

17. 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.
18. The classes 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).
19. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
20. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Keystone State is required to maintain a minimum paid up capital stock of \$1,100,000 to write the classes of insurance for which it is presently licensed.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Keystone State is required to maintain a minimum paid in surplus of \$550,000 to write the classes of insurance for which it is presently licensed.
22. Upon completion of the transaction, Keystone State will have paid up capital in an amount that will satisfy the statutory minimum required of a stock life insurance company licensed to write the classes of authority currently held by

Keystone State.

23. Upon completion of the transaction, Keystone State will have paid in surplus in an amount that will satisfy the statutory minimum required of a stock life insurance company licensed to write the classes of authority currently held by Keystone State.

Competitive Impact

24. The acquisition of control of Keystone State is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
25. The acquisition of control of Keystone State will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Wilton Reassurance – MN, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Wilton Re Holdings

26. 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 persons.
27. The Department has reviewed the financial condition of Wilton Re Holdings as of March 31, 2007, and determined that it would not pose any impediments to the change in control nor jeopardize the financial condition of Keystone State.

Plans for the Acquired Insurer

28. 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.
29. As provided in the Application, Wilton Reassurance – MN has disclosed that it intends to cause the merger of Keystone State with and into Wilton Reassurance – NY as soon as possible after consummation of the acquisition.

Management

30. 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 would

control the operations of the acquired insurers.

31. Biographical affidavits for all directors and executive officers of Wilton Reassurance – MN were provided as part of the Application and the Department reviewed all affidavits that were submitted.
32. The Department is satisfied that the persons who would control the operations of Keystone State have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
33. 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 Commissioner has jurisdiction to review and approve the change in control of Keystone State.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner 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 it is 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;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
 - 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 Keystone State.
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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Keystone State Life Insurance Company	:	991.1402, and 991.1403
	:	
	:	Order No. ID-RC-07-14

ORDER

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

The acquisition of control by Wilton Reassurance Company (“Wilton Reassurance – MN”) of all the issued and outstanding shares of common stock of Keystone State Life Company (“Keystone State”), as detailed in the Application, is hereby approved, subject to this Order and the following conditions:

1. Wilton Reassurance – MN shall provide availability to a copy of the closing documents to the Insurance Department within five (5) business days of consummation of the subject transaction.
2. Wilton Reassurance – MN shall cause, subject to obtaining all required regulatory approvals, the merger of Keystone State with and into an affiliate within one year of consummation of this acquisition.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

Randolph L. Rohrbaugh
Acting Insurance Commissioner
Commonwealth of Pennsylvania