

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
Application of Menes O. Chee, Andrea	:	Companies Act, Article XIV of the
Valeri, LIA Holdings Ltd. and Lombard	:	Insurance Company Law of 1921, Act
International Assurance US Holdings,	:	of May 17, 1921, P. L. 682, <u>as</u>
Inc. in Support of the Request for	:	<u>amended</u> , 40 P.S. §§991.1401,
Approval to Acquire Control of	:	991.1402 and 991.1403
Philadelphia Financial Life Assurance	:	
Company	:	Order No. ID-RC-15-12

DECISION AND ORDER

AND NOW, on this 4th day of June, 2015, Teresa D. Miller, 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 Insurer to be Acquired

1. Philadelphia Financial Life Assurance Company (the “Domestic Insurer”) is a stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. Philadelphia Financial Group, Inc. (“PFG”) is a business corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. The Domestic Insurer is a direct wholly-owned subsidiary of PFG.

3. PFG Holdings Acquisition Corp. (“PHAC”) is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business in Philadelphia, Pennsylvania. PHAC owns 94.1% of the Series A Participating Preferred Stock issued and outstanding and 80.8% of the Common Stock issued and outstanding of PFG. 5.9% of the Series A Participating Preferred Stock issued and outstanding and 19.2% of the Common Stock issued and outstanding of PFG are owned by PFG employees (“Individual Sellers”).
4. Tiptree Operating Company, LLC (“Tiptree”) is a limited liability company organized pursuant to the laws of the State of Delaware with its principal place of business in New York, New York. PHAC is a direct wholly-owned subsidiary of Tiptree.
5. Philadelphia Financial Administrative Services Company, LLC (“PFASC”) is a limited liability company organized pursuant to the laws of the State of Delaware with its principal place of business in Philadelphia, Pennsylvania. PFASC is an indirect wholly-owned subsidiary of Tiptree. The Domestic Insurer currently owns a non-voting common membership interest in PFASC.

Identity of Applicants

6. Lombard International Assurance US Holdings, Inc. (“Lombard US Holdco”) is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business in New York, New York.
7. LIA Holdings, Ltd. (“Lombard”) is a company organized pursuant to the laws of the Cayman Islands with its principal place of business in George Town, Cayman Islands. Lombard US Holdco is a direct wholly-owned subsidiary of Lombard.
8. Lombard’s shareholders consist of Cayman Islands exempted limited partnerships (the “Lombard Shareholders”). The Lombard Shareholders are listed in Exhibit 1.
9. Blackstone Tactical Opportunities Management Associates (Cayman) L.P. (“BTO Management Associates”), a Cayman Islands exempted limited partnership, is the general partner for all but two of the Lombard Shareholders.
10. BTO GP L.L.C. (“BTO GP”), a limited liability company organized pursuant to the laws of the State of Delaware, is the general partner of one of the Lombard Shareholders.
11. Blackstone Family GP L.L.C. (“Blackstone Family GP”), a limited liability company organized pursuant to the laws of the State of Delaware, is the general partner of one of the Lombard Shareholders.

12. Blackstone Tactical Opportunities LR Associates (Cayman) Ltd. (“BTO LR Associates”), a Cayman Islands exempted company, is one of two general partners of BTO Management Associates. BTO GP is the other general partner of BTO Management Associates.
13. Blackstone Holdings III L.P. (“Blackstone Holdings III”), a Canada limited partnership, owns all of the shares of BTO LR Associates and is the sole member of BTO GP.
14. Blackstone Holdings III GP L.P. (“Blackstone Holdings III GP”), a Delaware limited partnership, is the general partner of Blackstone Holdings III.
15. Blackstone Holdings III GP Management, L.L.C. (“Blackstone Holdings III GP Management”), a Delaware limited liability company, is the general partner of Blackstone Holdings III GP.
16. The Blackstone Group L.P. (“Blackstone”), a Delaware limited partnership that is publicly traded on the New York Stock Exchange, is the sole member of Blackstone Holdings III GP Management.
17. Blackstone Group Management L.L.C. (“Blackstone Group Management”), a limited liability company organized pursuant to the laws of the State of Delaware, is the general partner of Blackstone.
18. Stephen A. Schwarzman is an individual with his principal place of business in New York, New York. Mr. Schwarzman controls both Blackstone Group Management and Blackstone Family GP.
19. BTO Management Associates, BTO GP, Blackstone Family GP, BTO LR Associates, Blackstone Holdings III, Blackstone Holdings III GP, Blackstone Holdings III GP Management, Blackstone, Blackstone Group Management and Mr. Schwarzman are the “Delegating Persons”.
20. Menes O. Chee is an individual with his principal place of business in New York, New York.
21. Andrea Valeri is an individual with his principal place of business in London, United Kingdom.
22. Messrs. Chee and Valeri are the initial “Investment Committee Members”.
23. Messrs. Chee and Valeri together with Lombard and Lombard US Holdco are collectively hereinafter referenced as “Applicants”.

Identity of Certain Entities Established to Effectuate the Proposed Acquisition

24. PFG Acquisition Corp. (“PFG Bidco”) was formed on October 8, 2014 and is a business corporation organized pursuant to the laws of the State of Delaware.
25. BTO PFASC Acquisition, L.L.C. (“BTO PFASC”) was formed on October 9, 2014 and is a limited liability company organized pursuant to the laws of the State of Delaware.

Acquisition Filing

26. 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- 991.1413 (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
27. On December 1, 2014, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently, including an amended application received on December 12, 2014, is hereinafter referenced as “Application”) from Applicants for approval to acquire control of the Domestic Insurer (“Proposed Acquisition”).
28. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

29. On December 27, 2014, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for 30 days following the date of the publication (“Comment Period”).
30. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

31. As described in the Application, the Proposed Acquisition is part of a series of transactions following which Lombard US Holdco will own 100% of the issued and outstanding stock of the Domestic Insurer.
32. As described in the Application, on October 29, 2014, PFG Bidco entered into a Stock Purchase Agreement (“Stock Purchase Agreement”) with Tiptree and Individual Sellers to acquire PFG.

33. As described in the Application, at the closing of the acquisition of PFG by PFG Bidco pursuant to the Stock Purchase Agreement (the "Closing"), PFG Bidco will directly and indirectly, through PHAC, own 100% of the issued and outstanding shares of PFG, the direct parent of the Domestic Insurer.
34. As described in the Application, pursuant to the Stock Purchase Agreement, on the closing date of the Stock Purchase Agreement (the "Closing Date") immediately following the Closing, BTO PFASC will enter into a Purchase Agreement with the Domestic Insurer and PFG Bidco (the "PFASC Purchase Agreement"). Pursuant to the PFASC Purchase Agreement the Domestic Insurer will sell its non-voting common membership interest in PFASC to BTO PFASC (the "PFASC Transaction").
35. As described in the Application, immediately following the closing of the PFASC Transaction, the Domestic Insurer will dividend the proceeds of the PFASC Transaction to PFG (the "Proposed Dividend").
36. As described in the Application, pursuant to the Stock Purchase Agreement, on the Closing Date immediately following the closing of the PFASC Transaction and payment of the Proposed Dividend, Lombard will enter into a Purchase Agreement with PFG and PFG Bidco to acquire the Domestic Insurer (the "Domestic Insurer Purchase Agreement").
37. As described in the Application, concurrently with the execution of the Domestic Insurer Purchase Agreement, Lombard will enter into an Assignment Agreement (the "Assignment Agreement") and assign its rights to acquire the Domestic Insurer to Lombard US Holdco and Lombard US Holdco will acquire 100% of the issued and outstanding stock of the Domestic Insurer.
38. As described in the Application, pursuant to the terms of a Joint Investment Committee Agreement to be entered into by the Delegating Persons and the initial Investment Committee Members, on or prior to the Closing Date (the "Joint Investment Committee Agreement"), the Delegating Persons will establish a joint investment committee (the "Investment Committee"). The Investment Committee will possess and be entitled to exercise all of the power and control of the Delegating Persons to direct and cause the direction of management of policies of Lombard with respect to Lombard US Holdco and its subsidiaries, including the Domestic Insurer.
39. As described in the Application and pursuant to the Joint Investment Committee Agreement, Messrs. Chee and Valeri, as the initial Investment Committee Members, would become the ultimate controlling persons of the Domestic Insurer.

Standards for Review

40. 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.
41. 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

42. 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.
43. 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.
44. 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).
45. The minimum paid up capital stock and paid in surplus required of a stock insurance company for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
46. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), the Domestic Insurer is required to maintain a minimum paid up capital stock of \$1,100,000 and a minimum paid in surplus of \$550,000 to write the lines of insurance for which it is presently licensed.
47. As of March 31, 2015, the Domestic Insurer maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
48. Upon completion of the transaction, the Domestic Insurer will have the statutory minimum capitalization and surplus to satisfy the requirements to write the lines of insurance for which each is presently licensed.

Competitive Impact

49. 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 the Domestic Insurer would

be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein.

50. The acquisition of control of the Domestic Insurer will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of the Applicants licensed to transact the business of insurance in Pennsylvania and the market shares of the Domestic Insurer, 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

51. 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).
52. The Department has reviewed the financial statements submitted by the Applicants as of October 31, 2014, and November 24, 2014.
53. The financial condition of the Applicants will not pose any impediments to the change in control nor jeopardize the financial condition of the Domestic Insurer.

Plans for the Acquired Insurer

54. 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.
55. In particular, the Department reviewed the transaction as set forth in the Application to determine whether it is:
 - a) Unfair or unreasonable or fails to confer a benefit upon policyholders.
 - b) Not in the public interest.
56. As stated in the Application, the Applicants have no future plans or proposals to liquidate the Domestic Insurer, to sell its assets, to merge or consolidate it with any person or persons, or to make any other material change in their business operations or corporate structure.
57. There is no basis in the record from which it may be concluded the proposed transaction is unfair or unreasonable or fails to confer a benefit upon policyholders or is not in the public interest.

Management

58. 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.
59. Biographical affidavits for all directors and executive officers of the Applicants were reviewed by the Department.
60. Biographical affidavits of the intended new officers and directors of the Domestic Insurer were reviewed by the Department.
61. The Department is satisfied that the persons who would control the operations of the Domestic Insurer 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

62. When analyzing an application for 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.
63. There is no indication that the projected future business of the Applicants would impose a financial burden upon policyholders.
64. Likewise, there is no indication that the transaction would result in the companies being in impaired financial condition.
65. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
66. 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

67. When analyzing an application for a 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.

68. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
69. 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 the Domestic Insurer.
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 write 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 party 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 any other material change in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and fail to confer a benefit on policyholders and are 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 the Domestic Insurer.

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Philadelphia Financial Life Assurance :
Company : Order No. ID-RC-15-12

ORDER

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

The application of Menes O. Chee, Andrea Valeri, LIA Holdings Ltd. and Lombard International Assurance US Holdings, Inc. (collectively hereinafter referenced as the “Applicants”) in support of the request for approval to acquire control of Philadelphia Financial Life Assurance Company (hereinafter referenced as the “Domestic Insurer”) 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 a period of six (6) months after the effective date of the subject transaction, the Applicants shall not take affirmative action to reduce the number of employees of Domestic Insurer principally located in Pennsylvania, without application to and the prior written approval of the Department.
3. For a period of two (2) years after the effective date of the subject transaction, the 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 the Domestic Insurer principally located in Pennsylvania as of, or within six (6) months prior to, 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 ninety (90) 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, the Applicants shall not close or cease actively doing business from:
 - a) The corporate office of the Domestic Insurer, located in Philadelphia, Pennsylvania; or
 - b) Any other office located in Pennsylvania,

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

5. For a period of three (3) years after the effective date of the subject transaction, the Applicants shall not voluntarily withdraw any certificate of authority issued to the Domestic Insurer to engage in the insurance business in the Commonwealth of Pennsylvania without the prior written approval of the Department.
6. For a period of three (3) years after the effective date of the subject transaction, the Applicants shall not attempt to redomesticate the Domestic Insurer to another jurisdiction without the prior 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.




Teresa D. Miller
Insurance Commissioner
Commonwealth of Pennsylvania

Exhibit - 1

Shareholders of LIA Holdings Ltd.

Blackstone Tactical Opportunities Fund – A (PE) (Cayman) – LIA L.P.

Blackstone Tactical Opportunities Fund (Cayman) L.P.

Blackstone Tactical Opportunities Fund (LIA Co-Invest) L.P.

Blackstone Tactical Opportunities Fund (LIA Co-Invest) - L L.P.

Blackstone Tactical Opportunities Fund – C (Cayman) L.P.

Blackstone Tactical Opportunities Fund – G (Cayman) LP

Blackstone Tactical Opportunities Fund – T (Cayman) LP

Blackstone Tactical Opportunities Fund – AD (Cayman) LP

Blackstone Tactical Opportunities Fund – L (Cayman) LP

Blackstone Tactical Opportunities Fund – O (Cayman) LP

Blackstone Tactical Opportunities Fund – N (Cayman) LP

Blackstone Tactical Opportunities Fund – S (Cayman) LP

Blackstone Tactical Opportunities Fund – I (Cayman) LP

Blackstone Family Tactical Opportunities Investment Partnership (Cayman) SMD L.P.

Blackstone Family Tactical Opportunities Investment Partnership (Cayman) ESC L.P.