

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 |
| Application of Endeavor Capital Fund V, | : | Holding Companies Act, Article |
| L.P. Requesting Exemption from the | : | XIV of the Insurance Company |
| Requirements of 40 P.S. §991.1402 for the | : | Law of 1921, Act of May 17, 1921, |
| Restructuring of the Holding Company | : | P.L. 682, <u>as amended</u> , 40 P.S. |
| System which Includes Aegis Security | : | §§991.1401, 991.1402, and |
| Insurance Company | : | 991.1403 |
| | : | |
| | : | Order No. ID-RC-19-06 |

DECISION AND ORDER

AND NOW, on this 3rd day of June 2019, 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 the Parties

PA Domestic Insurer

1. Aegis Security Insurance Company (“ASIC”) is a domestic stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.

2. Aegis Security Inc. (“ASI”) is a business corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. ASIC is a direct wholly-owned subsidiary of ASI.
3. K2 Insurance Services, LLC (“K2”) is a limited liability company organized pursuant to 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.
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, L.P. (“EC Fund”) is a limited partnership organized pursuant to the laws of the State of California with its principal place of business in Los Angeles, California. EC Fund currently directly holds 77.8% of the voting securities of K2.
6. Endeavor Capital V, LLC (“ECV”) is a limited liability company organized pursuant to the laws of the State of Delaware with its principal place of business in Los Angeles, California. ECV is the sole general partner of EC Fund
7. Mr. Kilkenny and ECV are the ultimate controlling persons of ASIC.
8. ECFPK Insurance Holdings, LLC (“ECFPK”) is a limited liability company organized pursuant to the laws of the State of Delaware with its principal place of business in San Diego, California. ECFPK is a direct wholly-owned subsidiary of K2.

Filing of the Application

9. On May 15, 2019, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from EC Fund for approval to restructure the insurance holding company system, which includes ASIC.
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 Application 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 Application, ASI will dividend 100% of the issued and outstanding stock of ASIC to K2.
14. As described in the Application, K2 will then contribute 100% of the issued and outstanding stock of ASIC to ECFPK.
15. As described in the Application, K2 will then distribute 100% of the voting securities of ECFPK in the exact same proportions to the exact same unitholders who presently own K2.
16. As described in the Application, upon completion of the series of transactions, ECFPK will effectively take the place of K2 within the organizational structure of ASIC.
17. As described in the Application, upon completion of the series of transactions, Mr. Kilkenny and ECV will remain as the ultimate controlling persons of ASIC.
18. The Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) has delegated to the Deputy Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
19. The Deputy Commissioner finds that the transaction described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
20. 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 controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.

2. The 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 Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The restructuring of the holding company system proposed in the Application is not being contemplated to change or influence the ultimate control of ASIC, 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.

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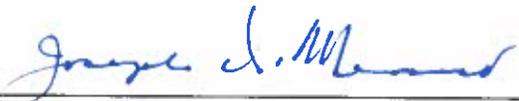
ORDER

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

An approving determination for the application of Endeavor Capital Fund V, L.P. requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of the insurance holding company system that includes Aegis Security Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.





JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation