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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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| In Re: | : | Pursuant to Section 320 of the |
| | : | Insurance Company Law of 1921, |
| Application of Bristol West Associates | : | Act of May 17, 1921, P.L. 682, <u>as</u> |
| LLC in Support of the Request for | : | <u>amended</u> , 40 P.S. §443; and Sections |
| Approval to Acquire Control of all the | : | 1401, 1402, and 1403 of the |
| Issued and Outstanding Capital Stock | : | Insurance Holding Companies Act, |
| of Reliant Insurance Company | : | Article XIV of the Insurance |
| | : | Company Law of 1921, Act of May |
| | : | 17, 1921, P.L. 682, <u>as amended</u> , 40 |
| | : | P.S. §§991.1401, 991.1402, and |
| | : | 991.1403 |
| | : | |
| | : | Order No. ID-RC-01-14 |

DECISION AND ORDER

AND NOW, on this 30 day of March, 2001, M. Diane Koken, 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. Reliant Insurance Company ("Reliant") is a stock casualty insurance company organized under the laws of the Commonwealth of

Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.

2. Reliance Insurance Company ("Current Parent" and together with all insurance company subsidiaries "Reliance Group") is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania. Current Parent directly holds 100% of the issued and outstanding voting stock of Reliant.
3. Coast National Insurance Company ("Coast National") is a stock casualty insurance company organized under the laws of the state of California with its principal place of business located in Davie, Florida.
4. BRW Acquisition Inc. ("BRW") is a holding company organized under the laws of the state of Delaware with its principal place of business located in Davie, Florida. BRW indirectly holds 100% of the issued and outstanding voting stock of Coast National.
5. Bristol West Associates LLC ("Bristol Associates" and together with Coast National and BRW "the Offerors") is a business corporation organized under the laws of the state of Delaware with its principal place of business located in Davie, Florida. Bristol Associates directly holds 100% of the issued and outstanding voting of BRW.

Acquisition Filing

6. 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 all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
7. On January 30, 2001, 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 Offerors for approval to acquire control of Reliant.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

9. On February 10, 2001, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by the Offerors and such notice invited interested persons to submit comments to the Department regarding the Application for a seven (7) day period, ending February 26, 2001.
10. The Department received no comments regarding the Application during the seven (7) day comment period.

Description of the Proposed Acquisition

11. As described in the Application, on January 12, 2001, Current Parent and Coast National signed a Stock and Asset Purchase Agreement ("Purchase Agreement").
12. As described in the Application and pursuant to the Purchase Agreement, the Offerors would acquire the entire book of non-standard automobile business written by Reliance Group except that written by Reliance Group in New York, California, Washington and Connecticut.
13. As described in the Application and pursuant to the Purchase Agreement, the Offerors would also acquire 100% of the capital stock of Reliant and an Ohio domiciled insurance company not admitted to Pennsylvania.
14. As described in the Application, the total price to be paid is estimated to be \$15 million.
15. As described in the Application, Bristol Associates anticipates deriving the cash consideration to be used in the transaction from its internal corporate funds.
16. As described in the Application, the Offerors anticipate assigning direct ownership of Reliant to Coast National upon consummation of the acquisition.

Quasi-Purchase

17. Section 320 of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §443, provides that unless otherwise provided by law, regulation or order of the Insurance Commissioner, each insurance company, association and exchange shall adhere to the annual

or quarterly statement instructions and accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners.

18. As described in the Application, Bristol Associates is requesting the Department's approval of a permitted accounting practice allowing Reliant to recapitalize and restate its surplus ("Restatement") as of the date of the acquisition by eliminating its deficit in earned surplus by a corresponding reduction in paid-in surplus.
19. As described in the Application, Bristol Associates has stated that this recapitalization will allow Reliant's performance to reflect its true operations while under the control of Bristol Associates without the distortion of Reliant's performance under its prior ownership.
20. As described in the Application, the total surplus as regards policyholders of Reliant will remain unchanged following the Restatement.
21. As described in the Application, no adjustments to assets or liabilities of Reliant will be made as a result of the Restatement.

Standards for Review

22. 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.
23. 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

24. 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.
25. 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).

26. 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).
27. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Reliant is required to maintain a minimum paid up capital stock of \$2,350,000 to write the lines of insurance for which it is presently licensed.
28. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Reliant is required to maintain a minimum paid in surplus of \$1,175,000 to write the lines of insurance for which it is presently licensed.
29. Upon completion of the transaction, Reliant will have paid up capital in an amount that will satisfy the statutory minimum required of a casualty insurance company licensed to write the lines of authority currently held by Reliant.
30. Upon completion of the transaction, Reliant will have paid in surplus in an amount that will satisfy the statutory minimum required of a casualty insurance company licensed to write the lines of authority currently held by Reliant.

Competitive Impact

31. The acquisition of control of the Reliant 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.
32. The acquisition of control of the Reliant will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of the Offerors, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Bristol Associates

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 persons.
34. Bristol Associates reported December 31, 1999, GAAP unaudited net worth of \$91,495,008.

35. The financial condition of Bristol Associates would not pose any impediments to the change in control nor jeopardize the financial condition of the Reliant.

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. As provided in the Application, Bristol Associates has disclosed that it intends to make no changes to the business plan of the Reliant.

Management

38. 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 insurers.
39. Biographical affidavits for all directors and executive officers of the Offerors were provided as part of the Application and the Department reviewed all affidavits that were submitted.
40. The Department is satisfied that the persons who would control the operations of the Reliant have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
41. 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 the Reliant.
2. Under Section 320 of the Insurance Company Law, the Commissioner has jurisdiction to review and approve a request for a permitted accounting practice different from those specified in the annual or quarterly statement instructions and accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners.
3. Restatement as of the date of the acquisition shall not result in the unassigned funds (surplus) account, as reported on line 26C of Reliant's Annual Statement as of December 31, 2000, being greater \$0 and the gross paid-in and contributed surplus account, as reported on line 26B of Reliant's Annual Statement as of December 31, 2000, being less than the minimum required by 40 P.S. §386 immediately following the Restatement as of the date of the acquisition.
4. 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.
5. 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 Reliant.
 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

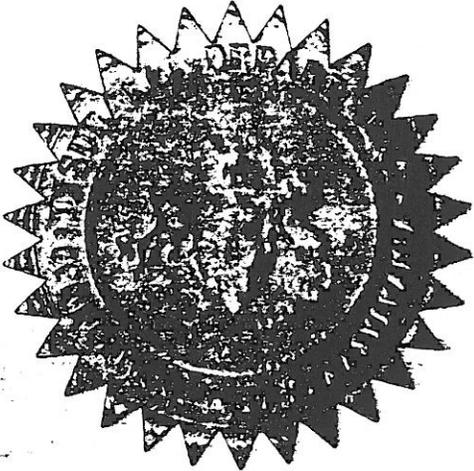
Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The acquisition of control by Bristol West Associates LLC ("Bristol Associates") of all the issued and outstanding shares of common stock of Reliant Insurance Company ("Reliant") is hereby approved, subject to this Order and the following conditions:

1. Bristol Associates shall provide copies of the closing documents to the Insurance Department within five (5) days of consummation of the subject transaction.
2. Restatement as of the date of the acquisition shall not result in the unassigned funds surplus account, as reported on line 26C of Reliant's Annual Statement as of December 31, 2000, being greater than \$0 and the gross paid-in and contributed surplus account, as reported on line 26B of Reliant's Annual Statement as of December 31, 2000, being less than minimum required by 40 P.S. §386 immediately following the Restatement as of the date of the acquisition.

3. Bristol Associates shall file such additional material as is necessary to satisfy the Insurance Department regarding the identity of the ultimate controlling person of Bristol Associates.

This Order is effective immediately.




M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania