

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of TPP AIF, LLC in Support : Companies Act, Article XIV of the
of the Request for Approval to Acquire : Insurance Company Law of 1921, Act
Control of Pennsylvania Physicians : of May 17, 1921, P. L. 682, as
Reciprocal Insurers : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-19-05

DECISION AND ORDER

AND NOW, on this 26th day of June, 2019, 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. Pennsylvania Physicians Reciprocal Insurers (“PAPRI”) is an unincorporated association organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Roslyn, New York. PAPRI is authorized as a reciprocal and inter-insurance exchange.

Identity of Applicant

2. TPP AIF, LLC (“TPP AIF”) is a newly-formed limited liability company organized under the laws of the State of Connecticut with its principal place of business in

Stamford, Connecticut.

3. The Princeton Partnership, LLC (“PP LLC”) is a limited liability company organized under the laws of the State of Connecticut with its principal place of business in Stamford, Connecticut. PP LLC is the sole member of TPP AIF.
4. Bruce Shulan (“Shulan”) is an individual with his principal place of business in Roslyn, New York. Shulan owns 50% of the membership interest of PP LLC.
5. William Bonnell (“Bonnell”) is an individual with his principal place of business in Stamford, Connecticut. Bonnell owns 50% of the membership interest of PP LLC.

Acquisition Filing

6. 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 changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
7. On January 16, 2019, 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 TPP AIF for approval to acquire control of PAPRI.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

9. On February 2, 2019, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by TPP AIF 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”).
10. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

11. As described in the Application, in April of 2014, PAPRI ceased writing new business and went into run-off.
12. As described in the Application, effective no later than July 20, 2016, PAPRI terminated the management agreement with Physicians’ Reciprocal Managers (“PRM”),

the former attorney-in-fact for PAPRI.

13. As described in the Application, due to an adverse loss development reinsurance contract PAPRI entered into with Physicians' Reciprocal Insurer ("PRI"), a New York reciprocal insurer in December 2014, PRI has been managing the administration of PAPRI's claims and certain other operational functions.
14. On November 27, 2018, the Board of Governors of PAPRI adopted a resolution through unanimous written consent to appoint TPP AIF as the attorney-in-fact for PAPRI, subject to the approval of the Department.
15. As described in the Application, Shulan and Bonnell would become the ultimate controlling persons of PAPRI.

Standards for Review

16. 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.

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. As of December 31, 2018, PAPRI maintained capitalization that allowed for it to hold a license to execute its plan of run-off.
19. Upon completion of the transaction, PAPRI will have capitalization that will allow for it to continue to hold a license to execute its plan of run-off.

Competitive Impact

20. The acquisition of control of PAPRI 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.
21. The acquisition of control of PAPRI will not lessen competition or tend to create a monopoly in the Commonwealth because PAPRI has no active policies in force and no active members or subscribers in Pennsylvania.

Financial Condition of Applicant

22. 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).
23. The Department reviewed the financial statements submitted for Shulan, Bonnell and PP LLC.
24. The financial condition of Shulan, Bonnell and PP LLC would not pose any impediments to the change in control nor jeopardize the financial condition of PAPRI.

Plans for the Acquired Insurer

25. 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.
26. 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.
27. As described in the Application, after the resolution of all outstanding claims, PAPRI will be wound down in accordance with Pennsylvania law and the Adverse Loss Development Reinsurance Contract with PAPRI and PRI.
28. 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 fail to confer a benefit upon policyholders or are not in the public interest.

Management

29. 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.
30. Biographical affidavits for Shulan and Bonnell were reviewed by the Department.

31. Biographical affidavits for all directors and officers of TPP AIF were reviewed by the Department.
32. A biographical affidavit for the expected new director/officer of PAPRI was reviewed by the Department.
33. The Department is satisfied that the persons who would control the operations of PAPRI 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

34. When analyzing an application for an acquisition of control 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.
35. 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

36. When analyzing an application for an acquisition of control 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.
37. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
38. 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 PAPRI.
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 and fail to confer benefit on policyholders of the insurer 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 of the 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.
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 PAPRI.
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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ORDER


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

The application of TPP AIF, LLC in support of the request for approval to acquire control of Pennsylvania Physicians Reciprocal Insurers as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. Pennsylvania Physicians Reciprocal Insurers shall not sell or assume any insurance policies without the explicit prior written approval of the Pennsylvania Insurance Department.
2. Pennsylvania Physicians Reciprocal Insurers shall file a request to surrender its Certificate of Authority to the Commissioner immediately following the runoff of all outstanding claims and policyholder liability.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation.




Jessica K. Altman
Insurance Commissioner
Commonwealth of Pennsylvania