

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Patrick J. Kilkenny	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 to	:	Law of 1921, Act of May 17, 1921,
Increase his Percentage of Indirect	:	P.L. 682, <u>as amended</u> , 40 P.S.
Control of Aegis Security Insurance	:	§§ 991.1401, 991.1402, and
Company	:	991.1403
	:	
	:	Order No. ID-RC-21-02

DECISION AND ORDER

AND NOW, on this 29th day of January, 2021, Melissa L. Greiner, 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

1. Aegis Security Insurance Company (“Aegis”) 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. 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. Aegis is a direct wholly-owned subsidiary of ECFPK.
3. 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 shareholdings of ECFPK.
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 shareholdings of ECFPK.
5. Mr. Kilkenny is an ultimate controlling person of Aegis.
6. LD Investments, LLC (“LD”) is a limited liability corporation organized pursuant to the laws of the State of California with its principal place of business in Del Mar, California. Mr. Kilkenny is the sole member of LD.

Filing of the Application

7. On November 17, 2020, 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 Aegis for approval to restructure its insurance holding company system.
8. 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.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
10. 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

11. As described in the Application, Mr. Kilkenny has entered into an agreement with EC Fund and certain minority shareholders of ECFPK to acquire their shares of ECFPK, representing 83.2% of the direct ownership of ECFPK, which represents 83.2% of the indirect ownership of Aegis.
12. As described in the Application, Mr. Kilkenny will acquire the shareholdings of ECFPK through LD.
13. As described in the Application, Mr. Kilkenny will transfer his current 13.5% direct shareholdings of ECFPK to LD.
14. As described in the Application, upon completion of the series of transactions, Mr. Kilkenny's ownership of ECFPK, as the sole member of LD, and his indirect ownership of Aegis, will increase from 13.5% to 96.7%.
15. As described in the Application, Mr. Kilkenny is the Chairman of the Board of Directors of Aegis and is/has been actively involved in developing and implementing Aegis' business plan and in the daily operations of Aegis.
16. As described in the Application, upon completion of the series of transactions, Mr. Kilkenny will remain as an ultimate controlling person of Aegis; in fact, Mr. Kilkenny will become the sole ultimate controlling person of Aegis.
17. 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.
18. 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.
19. 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 increase in the percentage of ownership proposed in the Application is not being contemplated to change or influence the ultimate control of Aegis, 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.

