

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Homestead Buyer LLC : Companies Act, Article XIV of the
and Homestead Investor Holdings LLC : Insurance Company Law of 1921, Act
in Support of the Request for Approval : of May 17, 1921, P. L. 682, as
to Acquire Control of Homestead : amended, 40 P.S. §§ 991.1401,
Insurance Company : 991.1402 and 991.1403
: :
: Order No. ID-RC-21-11

DECISION AND ORDER

AND NOW, on this 24th day of May, 2021, 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. Homestead Insurance Company (“HIC”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. Homestead Strategic Holdings, Inc. (“HS Holdings”) is an insurance holding company organized pursuant to the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. HS Holdings currently directly holds 100% of the issued and outstanding stock of HIC.

3. The Brandon T. Knox 2019 Family Trust (“Brandon Trust”) and The T.J. Knox 2019 Family Trust (“TJ Trust”), each individually directly holds 12.5% of the Class B non-voting stock of HS Holdings.
4. Thomas J. Knox 2012 Family Trust (“Family Trust” and together with the Brandon Trust and the TJ Trust, the “Trusts”) directly holds 62.5% of the Class B non-voting stock of HS Holdings.
5. Thomas J. Knox (“Mr. Knox” and together with the Trusts, the “Sellers”) is an individual with his principal place of business in Philadelphia, Pennsylvania. Mr. Knox directly holds 100% of the Class A voting stock and 12.5% of the Class B non-voting stock of HS Holdings.

Identity of Applicants

6. Homestead Buyer LLC (“Buyer”) is a newly-formed limited liability company organized pursuant to the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania.
7. Homestead Investor Holdings LLC (“Investor Holdings” and together with Buyer, the “Applicants”) is a newly-formed limited liability company organized pursuant to the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. Buyer is a direct wholly-owned subsidiary of Investor Holdings.
8. 1315 Capital II, LP (“1315 Capital”) is a limited partnership organized pursuant to the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. Investor Holdings is a direct wholly-owned subsidiary of 1315 Capital.
9. 1315 Capital Management II, LLC (“1315 GP”) is a limited liability company organized pursuant to the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. 1315 GP is the general partner of 1315 Capital.
10. Adele Oliva (“Ms. Oliva”) is an individual with her principal place of business in Philadelphia, Pennsylvania. Ms. Oliva holds 100% of the voting interests of 1315 GP.
11. Ms. Oliva is the ultimate controlling person of the Applicants.

Other Involved Parties

12. MoonSail Partners, LP (“MoonSail”) is a limited partnership organized pursuant to the laws of Delaware with its principal place of business in San Juan, Puerto Rico.
13. MoonSail GP, LLC (“MoonSail GP”) is a limited liability company organized pursuant to the laws of Puerto Rico with its principal place of business in San Juan, Puerto Rico. MoonSail GP is the general partner of MoonSail.

14. Joseph Acevedo (“Mr. Acevedo”) is an individual with his principal place of business in Los Angeles, California.
15. Rafael Ortiz (“Mr. Ortiz”) is an individual with his principal place of business in San Juan, Puerto Rico.
16. Carlos Rodriguez (“Mr. Rodriguez”) is an individual with his principal place of business in San Juan, Puerto Rico.
17. Mr. Acevedo, Mr. Ortiz and Mr. Rodriguez each hold 33.3% voting interest in MoonSail GP.
18. Mr. Acevedo, Mr. Ortiz and Mr. Rodriguez are ultimate controlling persons of MoonSail.

Filing of the Application

19. On March 11, 2021, 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 the Applicants requesting approval to acquire control of HIC.
20. 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 of control of domestic insurers must be filed with the Commissioner for approval or disapproval.
21. The Application was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

22. On March 27, 2021, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by the Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for thirty (30) days following the date of the publication (“Comment Period”).
23. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

24. As described in the Application, on February 19, 2021, the Applicants, HS Holdings, and Knox entered into a Stock Purchase Agreement (the “Agreement”).

25. As described in the Application and pursuant to the Agreement, at the closing of the transactions contemplated thereby (the “Closing”), Buyer intends to purchase 100% of the issued and outstanding shares of Class A and Class B stock of HS Holdings (except for the Contributed Shares (as defined below)) from Sellers (the “Acquisition”).
26. As described in the Application, 1315 Capital, MoonSail and certain other minority investors intend to fund the consideration under the Agreement by subscribing for Series A-1 Units of Investor Holdings, representing the voting securities of Investor Holdings.
27. As described in the Application and pursuant to the Agreement, Family Trust, in its capacity as “Rollover Seller”, will contribute to Investor Holdings 2,550 shares of Class B non-voting stock of HS Holdings (the “Contributed Shares”) in exchange for Series A-1 Units of Investor Holdings (the “Rollover Units”), thereby resulting in Rollover Seller becoming a member of Investor Holdings.
28. As described in the Application and pursuant to the Agreement, immediately following the Closing, Investor Holdings will contribute the Contributed Shares to Buyer as a capital contribution, so that, immediately following such contribution, Buyer will own all of the issued and outstanding shares of Class A and Class B stock of HS Holdings, and, promptly thereafter, Buyer will merge with and into HS Holdings, with HS Holdings being the surviving entity of such merger (the “Merger”).
29. As described in the Application, as a result of the Acquisition and Merger, HIC will remain a direct, wholly owned subsidiary of HS Holdings, which in turn will be a direct, wholly-owned subsidiary of Investor Holdings.
30. As described in the Application, immediately following the Closing, the issued and outstanding Series A-1 Units of Investor Holdings will be owned as follows:
 - a. 1315 Capital will own 12,250,000 Series A-1 Units, representing 53.7% of the issued and outstanding Series A-1 Units;
 - b. MoonSail will own 2,900,000 Series A-1 Units, representing 12.7% of the issued and outstanding Series A-1 Units;
 - c. Family Trust will own 6,580,500 Series A-1 Units, representing 28.9% of the issued and outstanding Series A-1 Units.
 - d. Certain other investors with individual interests below 10%.
31. As described in the Application, Ms. Oliva, Messrs. Acevedo, Ortiz and Rodriguez and Linda Knox, the sole trustee of Family Trust (“Ms. Knox”), would become the sole ultimate controlling persons of HIC as a result of the Acquisition.

Department's Approval of the Acquisition

32. 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.
33. 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

34. 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.
35. The classes 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).
36. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. § 386).
37. In accordance with Section 206 of the Insurance Company Law (40 P.S. § 386), HIC is required to maintain a minimum paid up capital stock of \$750,000 to write the class of insurance for which it is presently licensed.
38. In accordance with Section 206 of the Insurance Company Law (40 P.S. § 386), HIC is required to maintain a minimum paid in surplus of \$375,000 to write the class of insurance for which it is presently licensed.
39. Upon completion of the Acquisition, HIC will have paid up capital stock in an amount that will satisfy the minimum required of a casualty insurance company licensed to write the class of authority currently held by HIC.
40. Upon completion of the Acquisition, HIC will have paid in surplus in an amount that will satisfy the minimum required of a casualty insurance company licensed to write the class of authority currently held by HIC.

Competitive Impact

41. 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 would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. § 991.1402(f)(1)(ii) (the "competitive standard").

42. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
43. The proposed acquisition of control qualifies for the exemptions set forth in Section 1403(b)(2)(v)(A)-(C) of the Insurance Holding Companies Act for all lines of business as contained in the annual statement required to be filed by insurers licensed to do business in this Commonwealth.
44. The acquisition of control of HIC will not lessen competition or tend to create a monopoly in the Commonwealth because the Applicants do not control any other insurance interests in the Commonwealth.

Financial Condition of Applicants

45. 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).
46. The Department has reviewed the financial information submitted by Ms. Oliva, Messrs. Acevedo, Ortiz and Rodriguez and Ms. Knox.
47. The financial condition of Ms. Oliva, Messrs. Acevedo, Ortiz and Rodriguez and Ms. Knox would not pose any impediments to the change in control nor jeopardize the financial condition of HIC.

Plans for the Acquired Insurer

48. 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.
49. 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.
50. As stated in the Application, the Applicants have no present or proposed plans to cause HIC to issue an extraordinary dividend, to liquidate HIC, to sell any of HIC's assets (except for transactions in the ordinary course of business), or to merge HIC with any

person or persons or to make any other material change in any of HIC's corporate structure or business operations.

51. As stated in the Application, there will be three new members to HIC's Board of Directors.
52. 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 fails to confer a benefit upon policyholders or are not in the public interest.

Management

53. 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.
54. Biographical affidavits of Ms. Oliva, Messrs. Acevedo, Ortiz and Rodriguez and Ms. Knox were reviewed by the Department.
55. Biographical affidavits of the proposed new members to HIC's Board of Directors were reviewed by the Department.
56. The Department is satisfied that the persons who would control the operations of HIC 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

57. When analyzing an application for an 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.
58. 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

59. When analyzing an application for 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.

60. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.

General

61. 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 HIC.
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 operate the line or lines of business for which they are 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.
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 HIC.

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.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Homestead Buyer LLC : Companies Act, Article XIV of the
and Homestead Investor Holdings LLC : Insurance Company Law of 1921, Act
in Support of the Request for Approval : of May 17, 1921, P. L. 682, as
to Acquire Control of Homestead : amended, 40 P.S. §§ 991.1401,
Insurance Company : 991.1402 and 991.1403
: :
: Order No. ID-RC-21-11

ORDER

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

The application of Homestead Buyer LLC and Homestead Investor Holdings LLC (the “Applicants”) in support of the request for approval to acquire control of Homestead Insurance Company (“HIC”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. Applicants shall provide to the Department a list of closing documents within five (5) days after consummation of the subject acquisition 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 two (2) years following the effective date of the subject acquisition, HIC shall not close or cease actively doing business from Philadelphia, Pennsylvania.
3. For a period of three (3) years following the effective date of the subject acquisition, HIC will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under 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.
4. For a period of three (3) years after the effective date of the subject acquisition, HIC shall not voluntarily withdraw its certificate of authority to engage in the insurance

business in the Commonwealth of Pennsylvania without the prior written approval of the Department.

5. For a period of three (3) years after the effective date of the subject acquisition, HIC shall not attempt to or actually redomesticate 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.



Jessica K. Altman
Insurance Commissioner
Commonwealth of Pennsylvania