

BEFORE THE INSURANCE DEPARTMENT  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Freedom Advantage	:	Holding Companies Act, Article
Insurance Company Exemption from	:	XIV of the Insurance Company
the Requirements of 40 P.S. § 991.1402	:	Law of 1921, Act of May 17, 1921,
for the Merger of Alaska Timber	:	P.L. 682, <u>as amended</u> , 40 P.S.
Insurance, Inc. with and into Freedom	:	§§ 991.1401, 991.1402, and
Advantage Insurance Company	:	991.1403
	:	
	:	Order No. ID-RC-23-13

DECISION AND ORDER

AND NOW, on this 29<sup>th</sup> day of December, 2023, Diana Sherman, 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. Alaska Timber Insurance, Inc. (“ATI”), is a foreign stock casualty insurance company organized under the laws of the State of Alaska with its principal place of business in Ketchikan, Alaska.
2. Freedom Advantage Insurance Company (“FAIC”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania.
3. Wilmington Insurance Company (“WIC”) is a foreign stock casualty insurance company organized under the laws of the Delaware with its principal place of business in Wilmington, Delaware. WIC currently directly holds 100% of the issued and outstanding stock of FAIC.

4. Wilmington Holdings Corporation (“Holdings”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business located in Wilmington, Delaware. Holdings currently directly holds 100% of the issued and outstanding stock of WIC.
5. Gearson Partners Holdings, LP (“Gearson Partners”) is a limited partnership organized under the laws of the State of Delaware with its principal place of business located in Wilmington, Delaware. Gearson Partners currently directly holds 100% of Holdings.
6. Wilmington Holding GP, LLC (“WH Group”) is a general partner organized under the laws of the State of Delaware with its principal place of business located in Wilmington, Delaware. WH Group currently directly holds 100% of Gearson Partners.
7. Marshall Shutt (“Mr. Shutt”) is an individual with his principal place of business located in Wilmington, Delaware. Mr. Shutt is a member of WH Group.
8. Clifford Thompson (“Mr. Thompson”) is an individual with his principal place of business located in Wilmington, Delaware. Mr. Thompson is a member of WH Group.
9. David Gearhart (“Mr. Gearhart”) is an individual with his principal place of business located in Wilmington, Delaware. Mr. Gearhart is a managing member of WH Group.
10. Mr. Shutt, Mr. Thompson and Mr. Gearhart are the ultimate controlling person of WIC and FAIC.

#### **Filing of the Application**

11. On October 25, 2023, 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 FAIC (“Applicant”) for approval to merge ATI with and into FAIC with FAIC being the survivor (the “Merger”).
12. 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 mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.
13. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

14. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
  - a) 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**

15. As described in the Application, an Agreement and Plan of Merger (“Merger Agreement”) was executed by ATI, Inc. on July 26, 2023.
16. As described in the Application, the Merger Agreement was executed by ATI on July 26, 2023.
17. As described in the Application, the Merger Agreement was executed by FAIC on July 26, 2023.
18. The Merger Agreement provides for ATI to merge with and into FAIC, with FAIC being the surviving corporation.
19. As described in the Application, upon the effective date of the merger, FAIC shall acquire all of the assets of ATI and assume all of the debts and other liabilities of ATI.
20. As described in the Application, the articles of incorporation and by-laws of FAIC in effect immediately prior to the merger shall be the articles of incorporation and by-laws of FAIC upon the effective date of the merger.
21. As described in the Application, the members of the board of directors and the officers of FAIC prior to the merger shall be the members of the board of directors and the officers of FAIC after the merger.
22. As described in the Application, each share of ATI common stock issued and outstanding or owned by ATI (as treasury stock or otherwise) immediately prior to the effective date of the merger shall be cancelled and retired without consideration.
23. As described in the Application, Mr. Shutt, Mr. Thompson and Mr. Gearhart will remain the ultimate controlling persons of FAIC upon the effective date of the merger.
24. The Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or

influencing the control of a domestic insurer.

25. The Deputy Commissioner finds that the transaction described in the Application will not result in a change of control of a Pennsylvania domiciled insurer.
26. 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 merger of ATI with and into FAIC.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of the parties to the merger and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The Application satisfies the requirements 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 No ID-RC-23-13

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 Freedom Advantage Insurance Company (“FAIC”) requesting exemption from the requirements of 40 P.S. § 991.1402 for the merger of Alaska Timber Insurance, Inc. with and into FAIC, is hereby granted subject to this Order and the following conditions:

1. FAIC shall submit any changes made to the draft Agreement and Plan of Merger provided with the Application to the Deputy Insurance Commissioner prior to the execution of the changed document.
2. An approving determination must be in good standing by the Alaska Division of Insurance, before the Statement of Merger is filed with the Pennsylvania Department of State. A certified copy of the Alaska Division of Insurance approval shall be provided to the Deputy Commissioner within three (3) business days of receipt by FAIC.
3. The applicants agree to maintain recorded reserves at or above the reported Appointed Actuary’s point estimate, during the annual and the interim quarterly statements unless otherwise approved by the Department.
4. The applicants agree to support and maintain the RBC at or above 300%, and the interim estimated RBC above 300%. The contribution of capital to maintain RBC levels, if any, must be provided in a form acceptable to the Department.

5. This transaction may be recorded as effective December 31, 2023, for accounting purposes provided the transaction is closed and the merger effectuated on or before January 3, 2024.

This Order is effective immediately and valid for ninety days from the date of signature, provided there are no significant changes from the Application.



A handwritten signature in black ink that reads "Diana Sherman".

Diana Sherman  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation