

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of BIC Holdco, Inc. in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921, Act
Acquire Control of Philadelphia : of May 17, 1921, P. L. 682, as
Reinsurance Corporation : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-16-04

DECISION AND ORDER

AND NOW, on this 23rd day of May, 2016, Teresa D. Miller, 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

1. Philadelphia Reinsurance Corporation ("the PA Domestic Insurer") is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Omaha, Nebraska.
2. NRG America Holding Company ("NRG") is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business in Omaha, Nebraska. The PA Domestic Insurer is a direct wholly-owned subsidiary of NRG.
3. BIC Holdco, Inc. ("Applicant") is a newly-formed business corporation organized pursuant to the laws of the State of Delaware with its principal place of business in San Diego, California.

4. Bondsman Holdings, LLC (“Holdings”) is a newly-formed Delaware limited liability company with its principal place of business in San Diego, California. The Applicant is a direct wholly-owned subsidiary of Holdings.
5. Align Financial Group, LLC (“AFG”) is a Delaware limited liability company with its principal place of business in San Diego, California. AFG has a 53.85% ownership interest in Holdings.
6. Brookside Investment Partners IV, LLC (“Brookside IV”) is a Delaware limited liability company with its principal place of business in Omaha, Nebraska. Brookside IV has a 15.38% ownership interest in Holdings.
7. LI 8, LLC (“LI 8”) is a Minnesota limited liability company with its principal place of business in Minneapolis, Minnesota. LI 8 has a 11.54% ownership interest in Holdings.
8. The KKS Family Irrevocable Family Trust (“the KKS Trust”) is a trust organized pursuant to the laws of the State of Nevada with its principal place of business in San Diego, California. The KKS Trust has a 60.1% ownership interest in AFG.
9. Kieran A. Sweeney (“Mr. Sweeney”) and Kathleen W. Sweeney (“Mrs. Sweeney”) are individuals with their primary residence located in San Diego, California. Mr. Sweeney and Mrs. Sweeney serve as the only grantors of the KKS Trust.
10. Brookside Investment Partners, LLC (“Brookside”) is a Delaware limited liability company with its principal place of business in Omaha, Nebraska. Brookside has a 10.97% ownership interest in AFG.
11. Brookside Investment Partners II, LLC (“Brookside II”) is a Delaware limited liability company with its principal place of business in Omaha, Nebraska. Brookside II has a 10.97% ownership interest in AFG.
12. Brookside, Brookside II and Brookside IV are collectively referred to as “the Brookside entities”.
13. Multiple persons having more than a 10% ownership interest in the Brookside entities have disclaimed control over those entities. Control of each of the Brookside entities is exhibited by Grant E. Lippincott (“Lippincott”), an individual with his primary residence located in Omaha, Nebraska. Lippincott controls each of the Brookside entities by virtue of being the sole principal of the managing member, Rockbrook Partners III, LLC, or manager, Rockbrook Advisors, LLC, as applicable.
14. LI Ventures, LLC (“LI Ventures”) is a Minnesota limited liability company with its principal place of business in Minneapolis, Minnesota. LI Ventures is the sole member of LI 8.

15. The Patrick J. Denzer Revocable Trust (“the Denzer Trust”) is a trust organized pursuant to the laws of the State of Minnesota with its principal place of business in Minneapolis, Minnesota. The Denzer Trust has a 100% ownership interest in LI Ventures.
16. Patrick J. Denzer (“Denzer”), is an individual with his primary residence in Minneapolis, Minnesota. Denzer serves as the sole trustee of the Denzer Trust.

Acquisition Filing

17. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401- 991.1413 (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
18. On September 29, 2015, 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 Applicant for approval to acquire control of the PA Domestic Insurer.
19. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

20. On October 24, 2015, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Applicant 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”).
21. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

22. As described in the Application, on August 31, 2015, Applicant and NRG entered into a Stock Purchase Agreement (“Agreement”).
23. As described in the Application and Agreement:
 - a) Applicant will acquire 100% of the issued and outstanding stock of the PA Domestic Insurer from NRG.

- b) The PA Domestic Insurer will become a wholly-owned subsidiary of Applicant.
24. As described in the Application and pursuant to the Agreement, Mr. Sweeney, Mrs. Sweeney, Lippincott and Denzer would become the ultimate controlling persons of the PA Domestic Insurer.

Standards for Review

25. 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.
26. 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

27. 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.
28. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
29. 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).
30. The minimum paid up capital stock and paid in surplus required of a stock insurance company for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
31. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), the PA Domestic Insurer is required to maintain a minimum paid up capital stock of \$2,350,000 and a minimum paid in surplus of \$1,175,000 to write the lines of insurance for which it is presently licensed.
32. As of December 31, 2015, the PA Domestic Insurer maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
33. Upon completion of the transaction, the PA Domestic Insurer will have the statutory minimum capitalization and surplus to satisfy the requirements to write the lines of

insurance for which it is presently licensed.

Competitive Impact

34. 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 of the PA Domestic Insurer would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein.
35. The acquisition of control of the PA Domestic Insurer will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of the Applicant licensed to transact the business of insurance in Pennsylvania and the market shares of the PA Domestic Insurer, as stated in its Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

36. 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).
37. The Department has reviewed the financial statements submitted by Mr. Sweeney, Mrs. Sweeney, Lippincott and Denzer.
38. The financial condition of Mr. Sweeney, Mrs. Sweeney, Lippincott and Denzer will not pose any impediments to the change in control nor jeopardize the financial condition of the PA Domestic Insurer.

Plans for the Acquired Insurer

39. 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.
40. 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.
41. As stated in the Application, the PA Domestic Insurer has no policyholders.
 42. As stated in the Application, Applicant has no future plans or proposals to declare any extraordinary dividend, affect or cause the liquidation or merger of the PA Domestic Insurer, or sell the PA Domestic Insurer's assets,
 43. As stated in the Application, the officers and directors of the PA Domestic Insurer will be replaced by representatives of Applicant.
 44. 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 are not in the public interest.

Management

45. 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.
46. Biographical affidavits for all directors, executive officers and ultimate controlling persons of Applicant were reviewed by the Department.
47. Biographical affidavits of the intended new officers and directors of the PA Domestic Insurer were reviewed by the Department.
48. The Department is satisfied that the persons who would control the operations of the PA Domestic Insurer 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

49. When analyzing an application for 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.
50. There is no indication that the projected future business of the Applicant would impose a financial burden upon policyholders.

51. Likewise, there is no indication that the transaction would result in the companies being in impaired financial condition.
52. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
53. 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

54. When analyzing an application for a 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.
55. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
56. 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 the PA Domestic Insurer.
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 to policyholders of the insurers and fail to confer a benefit on policyholders and are 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 the PA Domestic Insurer.

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	:	991.1402 and 991.1403
	:	
	:	Order No. ID-RC-16-04

ORDER

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

The application of BIC Holdco, Inc. in support of the request for approval to acquire control of Philadelphia Reinsurance Corporation (“PRC”) as set forth in the application, is hereby approved, subject to this Order and the following condition:

1. BIC Holdco, Inc. shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction 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 three (3) years following the effective date of the acquisition, PRC shall be prohibited from declaring or paying any dividends, returns of capital or any other types of distributions to BIC Holdco, Inc., without the prior approval of the Commissioner.
3. For three (3) years following the effective date of the acquisition, PRC shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
4. For three (3) years following the effective date of the acquisition, PRC shall not attempt to or actually redomesticate to another jurisdiction.

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.



Teresa D. Miller
Insurance Commissioner
Commonwealth of Pennsylvania