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May 3, 2013

**Via Hand Delivery**

Mr. Robert Brackbill, Jr.  
Pennsylvania Insurance Department  
Bureau of Company Licensing  
and Financial Analysis  
1345 Strawberry Square  
Harrisburg, PA 17120

**RECEIVED**  
Corporate & Financial Regulation

MAY 03 2013

**Pennsylvania**  
**Insurance Department**

**Re: Application for Approval to Acquire Control of OneBeacon Insurance Company  
and Potomac Insurance Company, 43 Pa. Bull. 1157 (Feb. 23, 2013)  
Response to Confidential Comment filed by Colgate-Palmolive Company**

Dear Mr. Brackbill:

One Beacon Insurance Group, Ltd. (“OBIG”) and Armour Group Holdings Limited (“Armour”) hereby respond to the procedural issues raised by the “Petition to Intervene in the Proposed Acquisition of Multiple OneBeacon Insurance Entities by Armour Group Holdings Limited” (the “Petition”) filed by Colgate-Palmolive Company (“Colgate”) on April 24, 2013.

Colgate seeks leave to “intervene” in the Department’s proceedings on the Form A application for permission to acquire control of two insurers. Pennsylvania’s regulatory review process provides policyholders and other interested parties the opportunity to comment on a proposed transaction of this kind. This process has been affirmed by the Pennsylvania Supreme Court as the appropriate and sole process for policyholders to identify issues and bring their concerns to the Department. OBIG and Armour support this process and will respond to all of the substantive issues raised by Colgate’s Petition. However, through its Petition, Colgate seeks procedural remedies from the Department that are inconsistent with the regulatory review process set forth in the Insurance Holding Companies Act as well as Pennsylvania Supreme Court precedent. The Petition should therefore be denied.

On February 7, 2013, Armour filed a Form A application with the Department requesting permission for Trebuchet US Holdings, Inc., a subsidiary of Armour, to acquire control of two OBIG subsidiaries, OneBeacon Insurance Company and Potomac Insurance Company. Pursuant to Section 1402(f)(2) of the Insurance Company Holding Act, the Department published notice

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of the application in the Pennsylvania Bulletin, providing that “[p]ersons wishing to comment on the acquisition are invited to submit a written statement to the Insurance Department within 60 days from the date of this issue of the *Pennsylvania Bulletin*.” 43 Pa. Bull. 1157 (Feb. 23, 2013). In response, Colgate filed its Petition, in which it asserts that proceedings under Section 1402 should be conducted “pursuant to 1 Pa. Code §§ 35.101 *et seq.*” (Petition at p. 9), and, on that basis, apparently seek (i) party status to participate in a hearing, and (ii) discovery in the form of complete access to all materials submitted in support of the Application (including all confidential materials). (*Id.* at 18).

While policyholders clearly have a right to provide comments on the pending Form A, Colgate’s attempt to “intervene” and expand a notice and comment proceeding into a trial-type hearing, complete with discovery, is inconsistent with the Pennsylvania Supreme Court’s decision in *LaFarge Corp. v. Commonwealth of Pennsylvania, Insurance Department*, 557 Pa. 544, 735 A.2d 74 (1999). In *LaFarge*, policyholders and reinsurers appealed a decision by the Insurance Department to approve a reorganization by CIGNA Insurance Company in which CIGNA divested itself of contingent liabilities connected to asbestos and environmental hazards. The Commonwealth Court vacated the Insurance Department’s approval and directed the Insurance Department to hold adversarial type hearings. The Supreme Court reversed, holding that the Department’s notice and comment process under the GAA Amendments Act of 1990, coupled with the Department’s thorough analysis of the application, fulfilled the due process requirements for reviewing and approving the transaction. The Court reasoned that the review and analysis of an application for change of corporate organization is “a statistical and economic one, an area indisputably within the expertise of the department.” *LaFarge*, 557 Pa. at 553, 735 A.2d at 78. Furthermore, in addition to its own expertise, the Department can solicit independent expert reports and evaluations. *Id.*

The Supreme Court further held that the Department was not obligated to follow the procedures set forth in the Administrative Agency Law. *LaFarge*, 557 Pa. at 546, 554, 735 A.2d at 75, 79. See also *Pa. Coal Mining Assoc. v. Insurance Department*, 471 Pa. 437, 370 A.2d 685 (1977) (holding that the procedural due process requirement of an opportunity to be heard in an administrative matter involving “economic or statistical questions” is satisfied by providing interested persons with an opportunity to submit written comments rather than a full hearing with its attendant extended delay).

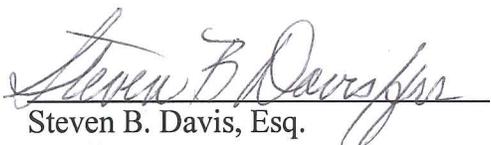
The procedures adopted by the Department under Section 1402 of the Insurance Holding Companies Act provide procedures identical to those approved by the Supreme Court in *LaFarge*. Compare 40 P.S. § 991.1402 with 15 P.S. § 21207. Consequently, the Supreme Court’s reasoning in *LaFarge* clearly applies to the issues raised by the Petition. A notice and comment process, without the extensive delay and significant additional cost associated with a trial-type hearing, meets all legal standards, and Colgate’s attempt to expand the process into an adversarial proceeding is inappropriate.

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While pointing out the procedural infirmities of the Petition, Armour and OBIG nevertheless recognize the PMA Group Petitioner's right to voice their concerns about substantive issues related to the proposed transaction. Accordingly, Armour and OBIG will separately and fully respond to the substantive concerns identified in the Petition as though they had been submitted as a comment.

A copy of this Response has been sent to counsel for Colgate-Palmolive Company as identified in the Petition to Intervene.

Respectfully submitted,



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Respectfully submitted,



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