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**Pennsylvania  
Insurance Department**

July 23, 2013

Mr. Robert Brackbill, Jr.  
Pennsylvania Insurance Department  
Bureau of Company Licensing and Financial Analysis  
1345 Strawberry Square  
Harrisburg, PA 17120<sup>1</sup>

*Re: Application for Approval to Acquire Control of OneBeacon  
Insurance Company and Potomac Insurance Company,  
43 Pa. Bull. 1157 (Feb. 23, 2013) - Reply In Support of Petition to  
Intervene by Colgate-Palmolive Company*

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Dear Mr. Brackbill:

In further support of its Petition to Intervene in the above-referenced proceeding, Colgate-Palmolive Company ("Colgate"), through its attorneys, submits this letter in response to the June 11, 2013 letter submitted by OneBeacon Insurance Group, Ltd ("OBIG") and Armour Group Holdings, Ltd. ("Armour") (collectively the "Applicants"). In that letter, the Applicants continue to oppose allowing Colgate or other policyholders with a significant stake in the proposed transaction from being heard in this proceeding. The Applicants propose an acquisition of OneBeacon Insurance Company's, OneBeacon America Insurance Company's, and Potomac Insurance Company's run-off risks by Trebuchet US Holdings, Inc., a subsidiary of Bermuda-domiciled and Bermuda-incorporated Armour Group Holdings Limited (the "Proposed Acquisition").

In its Petition to Intervene, Colgate requested permission from the Insurance Department of the Commonwealth of Pennsylvania (the "Department") to intervene in the Proposed Acquisition pursuant to the Pennsylvania Administrative Code, 1 Pa. Code §§ 35.27 *et seq.* See Petition to Intervene, pp. 1, 9. As set forth more fully in the Petition to Intervene and Colgate's May 21, 2013 letter in support of its Petition to Intervene, such a petition may be properly filed by "consumers, customers or other patrons served by the Applicant . . . ." 1 Pa. Code § 35.28 (a)(2). Colgate's

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<sup>1</sup> Colgate respectfully requests confidential treatment of this letter as against any entities or individuals not parties to the Proposed Acquisition and the opportunity to oppose any disclosure of this letter.

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interest as a customer and policyholder is precisely the sort contemplated by the Administrative Code.

Applicants oppose Colgate's Petition to Intervene, yet implicitly concede Colgate's intervention. They focus their opposition on Colgate's access to materials filed in the Application and whether there should be a hearing. In support of their efforts to keep as much of the Proposed Acquisition from becoming public as possible, Applicants cite case law that they conclude mandates denial of Colgate's application to intervene. See Applicant's letter dated June 11, 2013 (the "Applicants' June 11th Letter"), citing *LaFarge Corp. v. Commonwealth, Ins. Dep't*, 557 Pa. 544, 735 A.2d 74 (Pa. 1999), and *Pennsylvania Coal Mining Ass'n v. Ins. Dep't*, 471 Pa. 437, 370 A.2d 685 (Pa. 1977).

Hidden by the Applicants' obfuscations is an implicit acknowledgment that *LaFarge*, does **not** create a *per se* rule barring intervention by interested third parties in regulatory matters before the Department. In *LaFarge* the Supreme Court limited its decision to the facts of that case, holding that a protracted adversarial process involving sworn testimony, cross-examination, a full stenographic record and extensive delays was not required. It did not state that policyholders should never be permitted to intervene. In fact, the record in the Department's decision underlying the *LaFarge* case was extensive and involved days of hearings and testimony by policyholders and other interested third parties, as set forth more fully below. In short, *LaFarge* suggests that (1) Colgate should be permitted to intervene, and (2) there may be very legitimate reasons for an adversarial proceeding. Colgate believes those reasons are presented by the instant application.

### **The INA/CIGNA Proceeding**

The proceeding underlying the decision by the Commissioner that led to the *LaFarge* case was the application for Plan of Restructuring of INA Financial Corporation, Bankers Standard Insurance Company, et al. (hereinafter the "INA/CIGNA Proceeding"). In the INA/CIGNA Proceeding, without belaboring the details, the insurance company applicants sought to transfer INA's long-tail asbestos and environmental ("A&E") obligations from INA to a new company that would merge with Century Indemnity Company and then CIGNA. There, the Insurance Commissioner for the Commonwealth of Pennsylvania ("Commissioner") allowed the policyholders who held policies covering such A&E liabilities, and others, to file written comments and testify at extended hearings. The Applicants attached what they represent to be a copy of the Commissioner's 65 page Decision & Order dated February 7, 1996 in the INA/CIGNA Proceeding ("Decision & Order"). It details the many steps the Commissioner took before reaching her decision.

Among other things, INA/CIGNA themselves and experts hired either by those applicants or by the Department filed approximately seventy-two (72) documents

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concerning the transaction and the insurance companies' financial background. (See the Decision & Order at pp. 10-16, ¶¶ 49-102, listing the various party, expert and Department filings.) Those filings included the insurance companies' responses to questions raised by the retained experts and by the Department itself. (*Id.*)

The documents also included revisions to the proposed transaction, expert analyses of various reserves, reinsurance and solvency issues raised by the transaction, and disclosures, largely financial, by INA and CIGNA. The filings included, among other things:

- board resolutions from subsidiaries,
- sets of revised *pro forma* reconciliations showing balance sheets and reserves for various involved companies (subsidiaries and affiliates affected by the restructuring),
- a Tax Sharing Agreement, and revisions thereto, among affected subsidiaries and affiliates,
- explanations of the reinsurance agreement central to the proposed restructuring as well as the premium calculations for reinsurance,
- explanation of an Inter-company Services Agreement executed as part of the restructuring,
- an analysis of reinsurance recoverable that included a review of the process to collect reinsurance recoverable, the recovery projections and the quality of the reinsurance,
- the actuarial data supporting 10-K filings by INA,
- additional *pro forma* balance sheets showing additional details of asset allocation resulting from the restructuring,
- reconciliations of reserve activity and INA's model for testing the sufficiency of reserves, and documents related to the testing of reserves,
- analyses of total gross, net and ceded reserves for the A&E claims by accident and line of business,
- information on the top 30 A&E exposures and environmental cases,
- a balance sheet for the assignment of assets to the newly formed companies,
- SEC filings,
- asset valuations, including real estate appraisals for a building owned by a Century Indemnity Company,
- a list of all asset backed securities and an explanation of how they would be allocated to the newly created companies,

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- Cigna's proposed dividend retention program,
- explanations of certain investments, reserve discounting
- and many other disclosures, including revisions to many of the above-listed documents.

(Id. ¶¶ 54-56, 60, 63, 64, 66-70, 72, 73, 76, 88, 89, 91-101.)

Additionally, experts were retained to analyze the various steps in the transaction that would separate INA from its long-tail A&E liabilities. Those analyses were placed on the Department's docket. For example, William H. Mercer conducted a peer review of the actuarial work performed to analyze the restructuring, Milliman & Robertson provided an actuarial report of Cigna's A&E reserves, J.P. Morgan provided a fairness opinion of the fairness of the proposed restructuring to policyholders, Houlihan, Lokey, Howard & Zuckin provided a solvency opinion for the newly created company that would retain the long-tail liabilities, Tillinghast provided a report analyzing the sufficiency of the reserves that it revised as the restructuring proposal and related documents were revised by INA, and Tillinghast also analyzed the reinsurance provider and the sufficiency of reinsurance. (Id. ¶¶ 57, 58, 61, 62, 65, 74.)

The Department also had the insurance companies submit the letters retaining J.P. Morgan and Houlihan Lokey (See Id. ¶ 63.) The Department hired its own experts, including Tillinghast and Deloitte and Touche to provide analyses of the proposed transaction and the results it would produce.

In addition to the foregoing, the Department received numerous filings by policyholders, industry associations, other insurance companies and other interested parties. It also held **hearings. The hearings were public and extensive.**

The Department permitted eighteen (18) outside parties (policyholders and others) to intervene and testify at hearings. (Id. ¶¶ 162, 163). Over thirteen (13) hours of testimony were dedicated to the proceeding over the course of several days. (Id. ¶¶ 167-174.) Intervenors were permitted to combine their allotted 15 minutes to provide extended presentations. (Id.)

After the hearings, INA and CIGNA filed written responses to questions raised by the Department. (Id. ¶ 77.) They also met with the Department and filed additional written responses. (Id. ¶ 90.)

The Department specifically explained in its decision that it had made public not only the plan of restructuring and many of the related agreements, but also publicly released the presentations made by CIGNA and insurance company experts. (Id. ¶ 177-184.) The only documents the Department indicated were not made public were the reports of Tillinghast, Milliman & Roberts and Mercer. (Id. ¶ 186.)

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The Commissioner explained her review of and reliance upon the opinions and analyses of numerous experts who were permitted to review the proposed restructuring, setting forth the findings of those experts. (Id. ¶¶ 190-204).

The Department also conducted, a year earlier than required, an examination of CIGNA in connection with the proposed restructuring. It hired Deloitte & Touche and Tillinghast to analyze CIGNA, with specific focus on the long-tail exposures and reserves regarding its overall analysis of CIGNA. (Id. ¶¶ 263-268.)

One of the major facts cited by the Commissioner in her decision was INA's **contribution** to Century (the company receiving the long-tail exposures) of \$500 million of capital and \$800 million of reinsurance. (Id. ¶ 311.)<sup>2</sup>

### The Applicants' Form A

In stark contrast to the foregoing, the Applicants here have attempted to disclose as little information as possible, either confidentially to the Department or publicly to its policyholders. (See, e.g., the Applicant's Form A and attachments.) As explained in Colgate's May 20<sup>th</sup> letter to the Department, OneBeacon has applied to redomesticate two of its Massachusetts-domiciled subsidiaries, to avoid a public hearing. Control of those subsidiaries would be transferred by the Proposed Acquisition. Massachusetts requires a public hearing for such a transfer, but Pennsylvania does not. Like OneBeacon's redomestication efforts, the Applicants' failure to disclose most of the information needed to evaluate the Proposed Acquisition is consistent with their overarching attempt to keep secret the details of that transaction.

The Applicants request that all financial information be kept secret. The only financial documents submitted in support of the Proposed Acquisition are unaudited financial statements of Armour (not Trebuchet). Based on these documents selected by the Applicants, the Applicants request approval of their Proposed Acquisition.

Based on even a brief comparison with the INA/CIGNA record, the Department needs substantial, additional documentation to make any determination of the appropriateness of the Proposed Acquisition. (See 40 Pa. Stat. Ann. § 991.1402 (at §(f) setting forth the criteria for the Department to disapprove a proposed acquisition and at §(b) setting forth the documentation the Department should gather and review); see also Exhibit A hereto, a copy of Colgate's letter to the Department dated July 19,

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<sup>2</sup> This fact underscores the diametrically opposing approach taken here by OneBeacon, which has publicly stated to rating agencies that it will **reduce the capital** of the companies holding its long-tail A&E claims to regulatory minimums just before transferring those companies to Armour.

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2013, quoting §(b) and setting forth examples of the documentation specifically relevant here.) The INA/CIGNA transaction did not involve transferring long-tail insurance coverage to a Bermuda-based insurance group or several other complications presented by the Proposed Acquisition here. In order to analyze the Proposed Acquisition, the Department will need to review a great deal of documents beyond those submitted by the Applicants. As further discussed below, Colgate has begun to identify those documents and gather those that are publicly available.

### **Applicants' Have Failed to Provide Much of the Relevant Documentation**

As more fully listed in Colgate's July 19<sup>th</sup> letter to the Department, the types of documents needed to ascertain the true effects of the Proposed Acquisition and the impact on policyholders include a number of different types of documents. To begin, they include financial statements from not only Armour, but also Trebuchet. (Ex. A, at item 1.) Documentation about examinations conducted in 2011 of OneBeacon operating subsidiaries now to be transferred to Armour in the Proposed Acquisition would provide further information about the motivations behind the Proposed Acquisition and its effects. (Id. item 2.)

Further, correspondence between OneBeacon or its affiliates with insurance departments, or between insurance departments, concerning recent approvals of a reinsurance agreement signed in October 2012 and approvals of extraordinary dividends paid by OneBeacon subsidiaries in 2012 that were reported in its 2012 Annual Report would provide information about OneBeacon's activities in relation to extracting capital out of the subsidiaries it now proposes to transfer. (Id. items 3-5.) Similarly, OneBeacon has been engaged in a great deal of pre-sale activities, largely through its affected subsidiaries. For example, its 2012 annual report reflects more than just extraordinary dividends, it also reflects asset transfers and intra-group transactions and other transfers. A list of a number of the transactions, transfers and arrangements that Colgate has been able to identify that appear to relate to the Proposed Acquisition is attached hereto as Exhibit B. Documentation of these recent transactions, transfers and arrangements would shed further light on how OneBeacon has systematically removed the valuable assets from the operating subsidiaries it now proposes to transfer to Armour. (Id. categories 4-15.) The reinsurance agreements in place, some of which were executed in October 2012 and others historically in place would help one to understand why some of the historic reinsurance is no longer available and what the newly agreed reinsurance will provide after the Proposed Acquisition.<sup>3</sup> (Id. categories 16-25.) These documents all bear upon the financial

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<sup>3</sup> For example, numerous OneBeacon entities entered into intercompany reinsurance agreements in October 2012 (Ex. B, first bullet point), just before the Proposed Acquisition was proposed. Reinsurance agreements can be key financing components for insurance companies. Without seeing how the various reinsurance relationships were changed or created immediately before the Proposed Acquisition and gaining an understanding of why they were

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condition of the business units being sold in the Proposed Acquisition, which is a key aspect of the feasibility of the Proposed Acquisition. Colgate respectfully suggests that the Department should inquire into the details and effects of OneBeacon's activities leading up to the Proposed Acquisition.

Another category of documents that we believe the Department should examine are reconciliations of the existing asbestos and environmental liabilities being transferred, and of the related reinsurance and reserves. These documents provide information about the extent of the risks involved and the feasibility of the Proposed Acquisition.

In that regard, the Proposed Acquisition is substantially more complicated than the INA/CIGNA transaction. Here, also involved are the National Indemnity Company ("NICO"), which has dual, conflicting roles as both a reinsurance company and a claims administrator, and Resolute Management, Inc. ("Resolute"), as a third-party administrator of claims who was hired by NICO. These companies have differing interests from OneBeacon, Armour and Trebuchet and very likely have taken steps to protect those interests regarding the Proposed Acquisition. Colgate respectfully suggests that the Department should investigate the reinsurance and administrative services agreements that were in place prior to the Proposed Acquisition, not only within OneBeacon, but also with NICO and Resolute. Determining how these agreements will be affected, amended, terminated or replaced as a result of the Proposed Acquisition is part of the overall risk and feasibility analysis of the acquisition. The Department also should request copies of any side agreements, letter agreements, communications or other documents relating to the Proposed Acquisition and concerning NICO or Resolute or the effect of the Proposed Acquisition on those entities and their relationship with the parties to the acquisition. Obtaining copies not only of the relevant agreements, but also documentation of the historical use and depletion of the reinsurance, including how much reinsurance remains available, as well as correspondence and other documents concerning the relationships between various OneBeacon entities, NICO and Resolute would be relevant to the analysis. NICO and Resolute's practices in administering and paying claims may also assist in evaluating their involvement after the Proposed Acquisition. It may be appropriate to seek information directly from NICO and Resolute, as parties indirectly involved in the Proposed Acquisition.

Additionally, any valuations, whether performed by on behalf of OneBeacon entities, Trebuchet, Armour, NICO or Resolute, would provide an

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changed or created, it would be difficult to determine the effects of the Proposed Acquisition. Another reinsurance relationship that undoubtedly relates to the reasons for many of the new agreements is the NICO reinsurance agreement. As explained in Colgate's and other policyholders' filings, it is believed that the available NICO reinsurance has been depleted to only a fraction of the original amount.

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understanding of the Proposed Acquisition. Colgate would anticipate there being valuations performed in relation to the various pre-acquisition transfers between OneBeacon entities, including with regard to many of the activities listed on Exhibit B.

Similarly, the actuarial reports and analyses and the documents relating to them that were performed for some of OneBeacon's operating subsidiaries would provide further insight into risk and consequences of the Proposed Acquisition. (Ex. A hereto at categories 26-29.) More than one of the involved parties may have had actuarial analyses performed, including OBIG, NICO and Armour.

In fact, the Commissioner stated repeatedly in the INA/CIGNA decision that the actuarial reports and analyses of the various companies being transferred were of great importance in reaching any determination as to the proposed transaction at issue there. Likewise, *LaFarge* stated that the nature of insurance company transactions is an economic and statistical one. *LaFarge*, 557 Pa. at 553. While Colgate would agree that the numerical and statistical aspect is one part of the analysis, that part cannot be performed without proper documentation. Here, the Applicants have failed to provide the necessary documentation and should be required to do so. Further, that documentation should be made available to policyholders and other interested parties wishing to comment on the transaction, such as Colgate. Having such information would allow the Department to provide proper notice of what the Proposed Acquisition actually is and would enhance the quality of the policyholders' input, thereby benefitting the Department and the Department's process.

### **Colgate Should Be Permitted to Intervene, Even Under the Applicants' Standard**

As noted above, while Applicants oppose the Petition to Intervene, they do not even attempt to build an argument that Colgate has no rights of intervention at all. Instead, they seek to keep the financial details leading up to the Proposed Acquisition secret. Moreover, the Applicants argue that there is no need for a hearing.

The Applicants have suggested Colgate's sole right is to submit a letter with nothing more. (See Applicants' May 3rd Letter at p. 1; June 11th Letter at p.3.) They contend that the only time a policyholder should be allowed to do more is when there are issues of credibility. (Applicants' June 11th Letter at p.3.) That contention, however, misconstrues *LaFarge* which, as explained above, did not so hold. *LaFarge* did, however, offer credibility as one example of a reason to permit intervention and cross-examination in an adversarial proceeding. In regard to credibility, the Department need only review OneBeacon's and its corporate affiliates' actions in the months leading up to the Proposed Acquisition and compare them with the positions the Applicants now take.

OneBeacon has publicly reported in its Annual Statement for 2012 that its subsidiary, OneBeacon America Insurance Company ("OBA"), made an extraordinary

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distribution in the amount of \$146,000,000 and OneBeacon Insurance Company, an indirect subsidiary of OneBeacon, paid to OneBeacon dividends of \$40,000,000 and \$25,000,000 on March 20, 2012 and October 25, 2012, respectively. (See OneBeacon's Annual Report Footnotes 13D and 10B; see Exhibit A hereto, at items 4-5.)

As mentioned in the footnote above and other letters to the Department, OneBeacon has also stated to rating agencies that it intends to reduce the capital held by its operating subsidiaries that will be transferred to Armour in the Proposed Acquisition down to regulatory minimums. In that vein, as more fully detailed in Colgate's May 20, 2013 letter to the Department, OneBeacon also has provided for a "purchase price" for the Proposed Acquisition that may be zero. In the Stock Purchase Agreement that sets forth the terms of the Sale (the "SPA"), it provides further that the sale price could be negative, requiring offset. (SPA § 2.1.)

Last, despite the Department's obvious concern in the INA/CIGNA proceedings over the analyses of the adequacy of reserves and reinsurance available to pay policyholders after the transaction contemplated there, the Applicants here refuse to represent or warrant anything regarding that very subject. In the SPA, the parties explicitly disclaim any representation or warranty as to the adequacy of reserves or reinsurance for OBA and the other companies acquired by Trebuchet as part of the Sale. (SPA § 7.8.)

At the same time, OneBeacon contends, as it must, that it is entering into a transaction that is sound, will not leave the entities transferred to Armour undercapitalized and is in the policyholders' interests. In fact, in filings directly related to the Proposed Acquisition, OneBeacon has represented, unbelievably, that the Proposed Acquisition is in its policyholders' interests. (See OneBeacon's June 12, 2013 letter to the Massachusetts Insurance Commissioner that is posted on the Department's web page for the Proposed Acquisition and that attaches OneBeacon's April 2, 2013 letter to the Department, at p.2.) In that April 2nd letter, OneBeacon "affirms that the proposed merger is not contrary to the interests of the policyholders of the Commonwealth." (Id. p.3.) Its position is not credible.

It is not surprising that the Applicants refuse to provide the information needed to analyze the facts surrounding the Proposed Acquisition, as discussed above. Based on the available information, the Applicants' representations already lack credibility. Recently, the Applicants served a "substantive" response to another group of policyholders seeking to intervene. (Exhibit B, a copy of the Applicants' substantive response dated June 21, 2013.) Notably, the document fails to cite factual sources for essentially all of the many pages of prose discussing the purported *bona fides* of its various efforts to de-capitalize the companies it is transferring to Armour.

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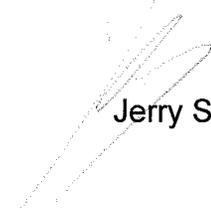
As this proceeding progresses, the Applicants, and in particular OneBeacon, will be forced to contradict the clear import of OneBeacon and its affiliates' actions leading up to the Proposed Acquisition. It cannot credibly explain why it affirmatively extracted all capital above regulatory minimums from the companies it is transferring to Armour which already have long-tail liabilities making them unprofitable, and simultaneously credibly establish that those companies are well-capitalized. OneBeacon's and Armour's representations of the facts are not credible, even based on the sparse facts which are presently publicly available.

This lack of credibility is exactly the basis for an adversarial proceeding, even according to the Applicants.

### CONCLUSION

Accordingly, the Applicants' arguments should be rejected in their entirety. Colgate is entitled to intervene based on the applicable standards and, even assuming the Applicants' extreme interpretation of those standards, because they have placed credibility in issue, which even they admit is a basis for intervention, cross-examination and further engagement. For the reasons set forth above, as well as the reasons set forth in the Petition to Intervene, which are incorporated herein by reference, we once again respectfully ask the Department to grant Colgate's Petition to Intervene.

Respectfully submitted,



Jerry S. Goldman

JSG/hs

Attachments

cc: Steven B. Davis, Esq.  
Constance B. Foster, Esq.  
Paul M. Hummer, Esq.

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By FEDERAL EXPRESS

July 19, 2013

Mr. Robert E. Brackbill  
Chief, Company Licensing Division  
Commonwealth of Pennsylvania  
Insurance Department  
Office of Regulation of Companies  
1345 Strawberry Square  
Harrisburg, PA 17120

Mr. Steven L. Yerger  
Company Licensing Division  
Insurance Department  
Commonwealth of Pennsylvania  
1345 Strawberry Square  
Harrisburg, PA 17120

Re: Application of OneBeacon America Insurance Co.  
And Employers' Fire Insurance Co. to  
Redomesticate to Pennsylvania

Dear Messrs. Brackbill and Yerger:

As you know, this firm represents Colgate-Palmolive Company ("Colgate") concerning insurance matters.

As you also know, on April 24, 2013, Colgate filed a Petition to Intervene in the Proposed Acquisition of multiple OneBeacon insurance entities by a subsidiary of Armour Group Holdings Limited (the "Petition"). We also wrote to Mr. Yerger on May 20, 2013 regarding the applications of OBA ("OBA") and Employer's Fire Insurance Co.'s ("Employers") applications to redomesticate ("Redomestication Applications") from Massachusetts to Pennsylvania (the "Redomestication Objection").

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<sup>1</sup> Colgate purchased policies from the predecessors of OBA. For a further recitation of Colgate's interest in these proceedings, we refer you to Colgate's Petition and Redomestication Objection.

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**Requests For Additional Information To Evaluate The Proposed Acquisition**

In both the Petition and Redomestication Objection, Colgate requested the public disclosure of certain information supplied on a confidential basis by the parties involved in the proposed acquisition of the run-off risks of OBIC ("OBIC"), OBA, and Potomac Insurance Company ("Potomac"), by Trebuchet US Holdings, Inc. ("Trebuchet"), a subsidiary of Bermuda-domiciled and Bermuda-incorporated Armour Group Holdings Limited ("Armour", and all parties just named collectively as the "Applicants").

As Colgate has further researched these matters, we have developed several additional items and categories of information that we believe should be obtained by your department (to the extent they have not already been submitted), and shared with Colgate, and with other interested parties who have petitioned to intervene.

In order to make a fair assessment of the Proposed Acquisition, both the Insurance Department and Colgate should have access to, without limitation, the following general categories of documents that are described more specifically below:

- Financial statements of Trebuchet. It is important to understand the extent of financial support that Trebuchet's investors typically provide and/or procure for their investments. If Trebuchet's access to investor funds is insufficient, Trebuchet may not seek additional funds from its investors and instead let the OneBeacon entities be seized by regulators, in the event that those OneBeacon entities are inadequately capitalized.
- We understand that state examinations were conducted of certain OneBeacon entities in 2011. These examinations may reveal issues regarding valuation, reserve adequacy, intercompany transactions, etc. that would assist in understanding the viability of the relevant OneBeacon entities.
- Correspondence between OneBeacon entities and regulators or among regulators. Correspondence often provides rationale for why a particular transaction was completed. If any comments were made regarding extracting funds from the relevant OneBeacon entities before a sale, or regarding potential capital adequacy concerns, it may be reflected in such minutes and correspondence.
- Documents relating to all significant transactions occurring between affiliated entities. This information is necessary in order to unravel,

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identify and understand the many financial transactions between and among various Applicants' subsidiaries and affiliates. For example, our investigation has revealed a series of transactions among OneBeacon Insurance Group LLC, OBIC, OneBeacon America, and Atlantic Specialty that total more than \$930 million in 2012.

- Documents relating to reinsurance. Right now the public lacks sufficient information to assess both the terminated reinsurance coverage and the coverage still in place, including the protection they provide in the event of a sale.
- The actuarial opinion, which is publicly available, provides limited information and does not include the independent actuary's evaluation of historical reserve development (that is, how they have increased or decreased over time). The information requested below would provide this type of information. Further, companies may retain third-party actuaries (that is, not the opining actuary) to evaluate reserves prior to a contemplated sale. Should this analysis differ from the company or opining actuary, it would be useful to understand those differences. Accordingly, requests below seek information relating to any such analysis.

Without gathering the documents that fall within these categories, the Department of Insurance would be unable to fully ascertain the effects of the Proposed Acquisition.

### **The Specific Requests**

The following list outlines items that Colgate anticipates the Department of Insurance should gather as part of its review of the Stock Purchase agreement that OneBeacon Insurance Group LLC entered into with Trebuchet on October 17, 2012. These documents may assist the Department of Insurance in determining the impact of the transaction on policyholders, and ensuring that sufficient surplus remained in the runoff companies to cover future liabilities.

#### ***Trebuchet***

1. Financial statements for the years ended December 31, 2011 and December 31, 2012 for Trebuchet.

#### ***State Examinations***

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2. Drafts and final reports, including any actuarial reports for the following state examinations as of December 31, 2011:

- Potomac
- OBIC
- OBA

***Correspondence with Insurance Department***

3. Correspondence between the various regulatory authorities that led to the approval to terminate, incept or amend intercompany reinsurance agreements which took effect October 1, 2012, as mentioned in Footnote 1 to the audited OneBeacon Insurance Group Combined Statutory Basis Financial Statements for the years ended December 31, 2012 and 2011.
4. Correspondence, and other documents containing minutes of meetings of the boards of directors, boards of managers or other similar governing bodies, and any committees thereof, as applicable, of OneBeacon and any related Communications, regarding the approval of OBA's extraordinary distribution of \$146,000,000 to its parent, which was recorded as \$48,210,685 of dividends and a return of capital in the amount of \$97,789,315, as disclosed in Footnote 13D of the Annual Statement for the year 2012 of OBA.
5. Correspondence and documents containing minutes of the boards of directors, boards of managers or other similar governing bodies, and any committees thereof, as applicable, of OneBeacon, regarding the approval of OBIC's dividends paid of \$40,000,000 and \$25,000,000 on March 20, 2012 and October 25, 2012, respectively, to OneBeacon Group LLC, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

***Cash and Invested Assets***

6. The CUSIP/security/account-level detail for all assets that will be transferred to Trebuchet as part of the Stock Purchase. Detail should include, at a minimum:
  - CUSIP
  - Description
  - Number of shares

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- NAIC designation
  - Actual cost
  - Fair value
  - Par value
  - Book/adjusted carrying value
  - Amortized cost
7. Documents concerning the calculations and assumptions used to determine the fair value of OBA's affiliated common stock investment in Northern Assurance Company of America ("Northern Assurance") at December 31, 2011 and December 31, 2012 and Documents Concerning the calculations and assumptions used to determine the fair value of the common stock of Northern Assurance and OneBeacon Midwest Insurance Company, that were contributed by OBIC to OBA effective October 1, 2012, as disclosed in note 10B of the annual statement for the year 2012 of OBIC.OBA
8. Fair value calculations and assumptions used to value OBIC's affiliated common stock investments in the following companies as of December 31, 2011 and December 31, 2012 (as well as October 1, 2012 for Camden Fire Insurance Company and Houston General Insurance Company):
- Atlantic Specialty Insurance Company
  - Camden Fire Insurance Company
  - Employers' Fire Insurance Company
  - Homeland Insurance Company of New York
  - Houston General Insurance Company
  - OBA
  - OneBeacon Risk Management, Inc.
  - Traders & General Insurance Company

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9. The December 31, 2011 appraisal, and any subsequent appraisals, of the real estate occupied by OBIC up until October 1, 2012, which was included as part of the capital contribution to Atlantic Specialty Insurance Company on October 1, 2012.
10. Fair value calculations and assumptions used to value any other assets not specifically requested in this document of OBA and OBIC, at December 31, 2011 and December 31, 2012.
11. The Statutory Trial Balance with account level detail as of December 31, 2011 and December 31, 2012 for the following entities along with any other related documents concerning the Statutory Trial Balance:
  - (a) OBA
  - (b) OBIC
  - (c) Potomac
  - (d) Atlantic Specialty Insurance Company
  - (e) Northern Assurance Company of America
  - (f) OneBeacon Midwest Insurance Company
  - (g) Houston General Insurance Exchange
  - (h) Houston General Insurance Company
  - (i) Employers' Fire Insurance Company
  - (j) Traders & General Insurance Company
  - (k) Camden Fire Insurance Association
  - (l) Homeland Insurance Company of New York
  - (m) OneBeacon Select Insurance Company
  - (n) OBI National Insurance Company
  - (o) Homeland Insurance Company of Delaware
  - (p) OneBeacon Specialty Insurance Company

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***Information Concerning Transactions with Parent, Subsidiaries, and Affiliates***

12. Fair value calculations and assumptions used to value the common stock of North Assurance Company of America, and its subsidiary OneBeacon Midwest Insurance Company, that were contributed by OBIC to OBA effective October 1, 2012, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

- Any minutes and/or correspondence approving this transaction.

13. Fair value calculations and assumptions used to value the common stock of Homeland Insurance Company of Delaware, OBI National Insurance Company and OneBeacon Specialty Insurance Company that were contributed by OBIC to Atlantic Specialty Insurance Company effective October 1, 2012.

- Provide a detailed breakout for the remainder of the contributed capital that was part of this transaction that was comprised of cash, securities and an office building in Canton, Massachusetts, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

- Provide any minutes and/or correspondence approving this transaction.

14. Fair value calculations and assumptions used to value the common stock of Camden Fire Insurance Association that was contributed by OneBeacon Insurance Group LLC to OBIC effective October 1, 2012, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

- Any minutes and/or correspondence approving this transaction.

15. Fair value calculations and assumptions used to value the common stock of Houston General Insurance Company that was sold to OBIC by Houston General Insurance Exchange on October 1, 2012, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

- Any minutes and/or correspondence approving this transaction.

16. Fair value calculations and assumptions used to value the common stock of OneBeacon Select Insurance Company that was sold by OBIC to Homeland Insurance Company of New York on October 1, 2012, as disclosed in Footnote 10B of the Annual Statement for the year 2012 of OBIC.

- Any minutes and/or correspondence approving this transaction.

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***Reinsurance***

17. The reinsurance agreement between OBIC and OBA that was in effect as of December 31, 2012, including amendments, drafts and endorsements.
18. The reinsurance agreement between OBIC and Atlantic Specialty Insurance Company that was in effect as of December 31, 2012, including amendments, drafts and endorsements.
19. The reinsurance agreement between Potomac and OBIC that was in effect as of December 31, 2012, as disclosed in Footnote 10F to the Annual Statement for the year 2012 of the Potomac, including amendments, drafts and endorsements.
20. The reinsurance agreement between OBIC and OBA, The Northern Assurance Company of America, The Employers' Fire Insurance Company, The Camden Fire Insurance Association, OneBeacon Midwest Insurance Company, Traders & General Insurance Company and Potomac that was in effect as December 31, 2012, including amendments, drafts and endorsements.
21. The reinsurance agreement, including all amendments, drafts and endorsements, that Potomac entered into with OBIC to provide up to \$2.5 billion of protection against asbestos, environmental and certain other latent exposures and up to \$570.0 million in excess of loss reinsurance protection against adverse development on accident year 2000 and prior losses, as disclosed in Footnote 23F to the Annual Statement for the year 2012 of the Potomac.
22. The reinsurance agreement, including all drafts and endorsements, that Potomac entered into with National Indemnity Company ("NICO") and General Re Corporation ("Gen Re") effective June 1, 2001, as disclosed in Footnote 23F to the Annual Statement for the year 2012 of the Potomac.
23. Documents related to the calculation or that document payments made by NICO under the Reinsurance Policy identified in the prior item, (either directly, or indirectly), including "run rates" or "cash sheets."
24. Documents and concerning budgets, forecasts, strategies regarding amounts to be paid by NICO under the Reinsurance Policy identified in the immediately prior items, by year or over the initial and/or remaining duration of obligations under that Reinsurance Policy.
25. Documents and communications concerning the 100% reinsurance contract between OBA and OBIC.

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26. The "various 100% quota share reinsurance agreements" that were entered into "in lieu of the intercompany pooling agreement" as disclosed in Footnote 1 to the audited OneBeacon Insurance Group Combined Statutory Basis Financial Statements and Supplemental Information for the years ended December 31, 2012 and 2011.
27. Documents related to contemplation of or planning for a commutation or amendment of the any reinsurance policy noted above, that might arise from the Proposed Acquisition.
28. Draft and final reinsurance agreements that are expected to be implemented after the Proposed Acquisition is completed.
29. The intercompany pooling agreement that was in effect at December 31, 2011, as disclosed in Footnote 1 to the audited OneBeacon Insurance Group Combined Statutory Basis Financial Statements and Supplemental Information for the years ended December 31, 2012 and 2011.
30. The agreements effective October 1, 2012 for the legal entities "included in the sale to Trebuchet [to] cede 100% of their direct underwriting activity to [OBIC], which retains the Runoff Business and then cedes 100% of the specialty business to Atlantic Specialty Insurance Company..." as disclosed in Footnote 1 to the audited OneBeacon Insurance Group Combined Statutory Basis Financial Statements and Supplemental Information for the years ended December 31, 2012 and 2011.
31. Any reinsurance agreements or pooling arrangements between or among any entities within either Trebuchet or Armour that, whether existing or contemplated, that will potentially be available to the acquired companies after the Proposed Acquisition is completed.
32. Ceded losses and loss adjustment expenses, by reinsurer, by policy, at December 31, 2011, September 30, 2012 and December 31, 2012 for the following entities:
  - OBIC
  - Potomac
  - OBA
  - Atlantic Specialty Insurance Company

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***Loss and Loss Adjustment Expenses***

33. The Actuarial Reports that support the Actuarial Opinion, including underlying workpapers, for the years 2008 through 2012 for the following entities:

- OBIC
- Potomac
- OBA
- Atlantic Specialty Insurance Company

34. The Actuarial Opinion Summaries (that is, a comparison of the entity's vs. independent actuary's carried reserves) for the years 2008 through 2012 for the following entities:

- OBIC
- Potomac
- OBA
- Atlantic Specialty Insurance Company

35. Any internal or external analyses of Asbestos and Environmental ("A&E") exposures for the years 2008 through 2012 including, but not limited to:

- The legacy A&E exposure studies performed in 2005, 2008, and 2011 referenced in the Actuarial Opinions as driving the increase in A&E reserves in those years.

36. Any third-party independent actuarial reports performed as of December 31, 2011 and December 31, 2012 for the following entities:

- OBIC
- Potomac
- OBA
- Atlantic Specialty Insurance Company

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***Additional Financial Materials***

37. PricewaterhouseCoopers workpapers concerning the audit of OneBeacon for the year ended December 31, 2011 and December 31, 2012.
38. Communications and documents Concerning the Organizational Exams that were completed in 2012 by the respective states of domicile of Homeland Insurance Company of Delaware, OBI National Insurance Company, OneBeacon Specialty Insurance Company, OneBeacon Select Insurance Company that were formed in 2011 as disclosed in note 1 of the Combined Statutory Basis Financial Statements for the year ended December 31, 2012 and 2011 of OneBeacon Insurance Group.
39. The documents which serve as support for Note 19 Discontinued Operations to the Consolidated Financial Statements contained in the OneBeacon Insurance Group Ltd. 2012 Form 10-K as well as the reconciling supporting documents from the 10-K to the Annual Statements
40. Documents showing the reconciliation of the Asbestos and Environmental liabilities as disclosed in One Beacon 2005 – 2012 Form 10-K and the Asbestos and Environment footnote in One Beacon Statutory Financial Statements (Footnote 33 - 2005, 2006, 2010-2012 and Footnote 32- 2007-2009).
41. Documents showing the reconciliation of reserve movements described in management discussion of reserves in Potomac Annual Statements for 2005 (page 14.7), 2008 (page 14.8) and 2011 (page 14.10) to the Annual Statement Footnote 33 and One Beacon Form 10-K disclosures.

**CONCLUSION**

We believe the information described above is legally required under the following provisions of the Pennsylvania statute regulating such transactions:

- (2) The source, nature and amount of the consideration used or to be used in effecting the merger, consolidation or other acquisition of control, a description of any transaction wherein funds were or are to be obtained for any such purpose, including any pledge of the insurer's stock or the stock of any of its subsidiaries or controlling affiliates, and the identity of persons furnishing such consideration, provided, however, that where a source of such consideration is a loan made in the lender's ordinary course of

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business, the identity of the lender shall remain confidential if the person filing such statement so requests.

(3) Fully audited financial information as to the earnings and financial condition of each acquiring party for the preceding five (5) fiscal years of each such acquiring party, or for such lesser period as such acquiring party and any predecessors thereof shall have been in existence, and similar unaudited information as of a date not earlier than ninety (90) days prior to the filing of the statement.

(4) Any plans or proposals which each acquiring party may have to liquidate such insurer, to sell its assets or merge or consolidate it with any person or to make any other material change in its business or corporate structure or management.

(5) The number of shares of any security referred to in subsection (a) which each acquiring party proposes to acquire, and the terms of the offer, request, invitation, agreement or acquisition referred to in subsection (a), and a statement as to the method by which the fairness of the proposal was arrived.

(6) The amount of each class of any security referred to in subsection (a) which is beneficially owned or concerning which there is a right to acquire beneficial ownership by each acquiring party.

(7) A full description of any contracts, arrangements or understandings with respect to any security referred to in subsection (a) in which any acquiring party is involved, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.

(8) A description of the purchase of any security referred to in subsection (a) during the twelve calendar months preceding the filing of the statement, by any acquiring party, including the dates of purchase, names of the purchasers and consideration paid or agreed to be paid therefor. . . .

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(12) Such additional information as the department may by regulation prescribe as necessary or appropriate for the protection of policyholders of the insurer or in the public interest.

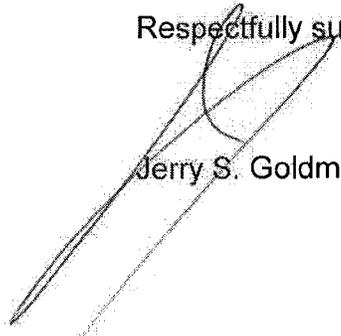
40 Pa. Stat. Ann. § 991.1402 (West)

Finally, for some of the categories of information described above, it is clear that the Department would already have such information in its possession. For other categories, we cannot know whether the Department has obtained the material from the OneBeacon entities, Potomac, Trebuchet or Armour. We do know that OneBeacon has not made most of the categories of information available publicly or to its policyholders, including Colgate. Accordingly, Colgate respectfully requests that (1) with respect to information that the Department already possesses, that the Department make the information available to Colgate and other interested parties and Policyholders who have petitioned to intervene, (2) with respect to information that the Department does not already possess, that the Department (i) require the OneBeacon entities, Potomac, Trebuchet or Armour to provide the information, and (ii) that the Department also make such information available to Colgate and other interested parties and Policyholders who have petitioned to intervene.

Finally, Colgate respectfully renews its earlier requests, that the Division of Insurance (a) approve Colgate's Petition, (b) deny and reject the Redomestication Applications; (c) require OBIG, Armour, OBA and Employers', as a condition to considering any future application to redomesticate OBA or Employers' to Pennsylvania, to be subject to a hearing under Pennsylvania's hearing procedures set forth in 40 Pa. Stat. § 991.1402; and (d) subject the entire Sale transaction to a hearing under Pennsylvania's hearing procedures set forth in 40 Pa. Stat. § 991.1402.

We greatly appreciate your full and diligent attention to these matters. Please let us know if you require any further information.

Respectfully submitted,

  
Jerry S. Goldman

**OneBeacon's Transactions, Transfers and Arrangements Leading Up to the Proposed Acquisition**

- Intercompany reinsurance agreements which took effect October 1, 2012 as disclosed in note 1 to the audited OneBeacon Insurance Group Statutory Financial Statements for the years ended December 31, 2012 and 2011;
- OneBeacon America Insurance Company's extraordinary distribution of \$146,000,000 to its parent, which was recorded as \$48,210,685 of dividends and a return of capital in the amount of \$97,789,315, as disclosed in note 13D of the annual statement for the year 2012 of OneBeacon America Insurance Company;
- OneBeacon Insurance Company's dividends paid of \$40,000,000 and \$25,000,000 on March 20, 2012 and October 25, 2012, respectively, to OneBeacon Group LLC, as disclosed in note 10B of the annual statement for the year 2012 of OneBeacon Insurance Company;
- Formation of Homeland Insurance Company of Delaware, OBI National Insurance Company, OneBeacon Specialty Insurance Company, OneBeacon Select Insurance Company that were formed in 2011 as disclosed in note 1 of the Combined Statutory Basis Financial Statements for the year ended December 31, 2012 and 2011 of OneBeacon Insurance Group;
- OneBeacon America Insurance Company's affiliated common stock investment in Northern Assurance Company of America ("Northern Assurance") at December 31, 2011 and December 31, 2012, as disclosed in note 10B of the annual statement for the year 2012 of OneBeacon Insurance Company;
- Contribution of the common stock of Homeland Insurance Company of Delaware, OBI National Insurance Company and OneBeacon Specialty Insurance Company by OneBeacon Insurance Company to Atlantic Specialty Insurance Company effective October 1, 2012, as disclosed in note 10B of the annual statement for the year 2012 of OneBeacon Insurance Company;
- Contribution of the common stock of Camden Fire Insurance Association by OneBeacon Insurance Group LLC to OneBeacon Insurance Company effective October 1, 2012, as disclosed in note 10B of the annual statement for the year 2012 of OneBeacon Insurance Company;
- Sale of the common stock of Houston General Insurance Company to OneBeacon Insurance Company by Houston General Insurance Exchange on October 1, 2012, as disclosed in note 10B of the annual statement for the year 2012 of OneBeacon Insurance Company;
- OneBeacon Insurance Company's affiliated common stock investments in the following companies as of December 31, 2011 and December 31, 2012:
  - (a) Atlantic Specialty Insurance Company,
  - (b) Camden Fire Insurance Company,

- (c) Employers' Fire Insurance Company,
  - (d) Homeland Insurance Company of New York,
  - (e) Houston General Insurance Company,
  - (f) OneBeacon America Insurance Company,
  - (g) OneBeacon Risk Management, Inc., and
  - (h) Traders & General Insurance Company;
- The December 31, 2011 appraisal, as disclosed in schedule A – part 1 of the annual statement for the year 2011 of OneBeacon Insurance Company, of the real estate occupied by OneBeacon Insurance Company through October 1, 2012, which was included as part of the capital contribution to Atlantic Specialty Insurance Company on October 1, 2012;
  - The expiration, termination or other treatment in the Proposed Acquisition of the reinsurance agreement and all endorsements that Potomac Insurance Company entered into with OneBeacon Insurance Company to provide up to \$2.5 billion of protection against asbestos, environmental and certain other latent exposures and up to \$570.0 million in excess of loss reinsurance protection against adverse development on accident year 2000 and prior losses, as disclosed in note 23F to the annual statement for the year 2012 of the Potomac Insurance Company;
  - Operation of “various 100% quota share reinsurance agreements” that were entered into “in lieu of the intercompany pooling agreement” as disclosed in note 1 to the audited OneBeacon Insurance Group Statutory Financial Statements for the years ended December 31, 2012 and 2011;
  - Operation of certain investment management agreements (“IMA”) that were in effect as of December 31, 2012:
    - (a) The IMA between OneBeacon America Insurance Company and White Mountains Advisors, LLC, as disclosed in note 10F of the annual statement for the year 2012 of OneBeacon America Insurance Company
    - (b) The IMA between OneBeacon America Insurance Company and Prospector Partners, LLC, as disclosed in note 10F of the annual statement for the year 2012 of OneBeacon America Insurance Company
    - (c) The IMA between OneBeacon Insurance Company and White Mountains Advisors, LLC, as disclosed in note 10F of the annual statement for the year 2012 of OneBeacon Insurance Company
    - (d) The IMA between Potomac Insurance Company and White Mountains Advisors, LLC, as disclosed in note 10F of the annual statement for the year 2012 of Potomac Insurance Company.