



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

April 24, 2018

**Via email (wgoddard@daypitney.com)**

William D. Goddard, Esq.  
Day Pitney, LLP  
242 Trumbull Street  
Hartford, CT 06103

**Re: Proposed Acquisition of Control of SPARTA Insurance Company by  
Apollo Global Management, LLC, et al.  
Docket # EX 18-11**

Dear Attorney Goddard:

The Connecticut Insurance Department ("Department") has completed a preliminary review of the Form A Statement regarding the proposed acquisition of control ("Proposed Acquisition") of SPARTA Insurance Company ("Company" or "SPARTA") by the Applicants, received February 20, 2018 (the "Application"). As a result of the review, it was determined that the information requested below is necessary to complete the filing. Please provide in hard copy and on a thumb drive amended and restated clean and black lined versions of the Form A rather than standalone amendments. This should include any new exhibits resulting from the amendments and restatements. You should also reflect any amendments to the Application resulting from any discussions with the Department which you may have subsequent to this letter being issued.

### **ITEM 1. INSURER AND METHOD OF ACQUISITION**

1. Please provide an update regarding Exhibit B of the Application.

### **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

1. Provide additional details as to why the following entities should not be applicants to this transaction:

- Avalon Acquisition LLC;
- AGM Management LLC;
- BRH Holdings GP Ltd.; and
- Limited Partnerships that are directly acquiring Catalina Shares.

2. Page 11 of the Form A Statement states the following: "It also is contemplated that Apollo will offer certain of its employees an opportunity to invest in the ownership of Catalina through the formation of an additional Cayman Islands exempted limited partnership, Apollo Avalon Co-Investors (A) L.P." Please provide an update including

discussion of control of SPARTA.

3. When describing the Business Operations of the Applicants it is described on page 3 of the Form A Statement that; "Apollo's objective is to achieve superior long-term risk-adjusted returns for its fund investors, by following a value-oriented investment approach that focuses on nine core industries in which Apollo has considerable knowledge and experience." Please describe the nine core industries along with additional information around expertise.

4. Please include, in its appropriate place, Avalon Acquisition, LLC in the Organization Chart under Exhibit C of the Application.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

1. Please provide charts in the following format for officers and directors for SPARTA on a post-acquisition basis.

Directors

Name	Title

Officers

Name	Title

2. With regards to the biographical affidavit of Leon Black, please provide a response to question 7 which was left blank.

3. Provide biographical affidavits and third party verifications for the Independent Directors identified on page 5 of the Form A Statement.

4. The Department reserves the right to request additional biographical affidavits and third party verifications of directors and officers should it be determined that additional applicants are required.

5. While we have not requested them, the Department reserves the right to receive credit histories for all individuals associated with the Applicants.

**ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

1. On page 8 of the Form A Statement, it states that "[i]f the Proposed Acquisition does not close prior to the date that is four months from the signing of the Purchase Agreement (*i.e.*, February 10, 2017) ..." Please confirm whether this is the true date.

**ITEM 5. FUTURE PLANS OF INSURER**

1. Page 9 of the Form A Statement states "the Domestic Insurer is in run-off." SPARTA has submitted previous plans of operation to the Connecticut Insurance Department which specifically state that SPARTA will continue to be used for the benefit of continued affiliate mergers when sufficient efficiencies and expense reductions are identified. The Department considers SPARTA to be "in the run-off business" as opposed to "being in run-off." Please comment on this change to the future plans of SPARTA.

2. It is noted that Exhibit E of the Application contemplates a return of capital payment (dividend) in years 2018, 2019 and 2020. Please be reminded that prior approval of the Department must be obtained in accordance with CGS sections 38a-136(h)(1) and 38a-136(i)(2).

3. Please provide the assumptions used in Exhibit E of the Application.

4. Please provide information as to the current staffing levels in Connecticut of SPARTA.

**ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

The Department has no questions but please update the information as appropriate.

**ITEM 7. OWNERSHIP OF VOTING SECURITIES**

The Department has no questions but please update the information as appropriate.

**ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

1. Please provide all documents or schedules referenced but omitted on page 10 of the Form A Statement.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

The Department has no questions but please update the information as appropriate.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

The Department has no questions but please update the information as appropriate.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

The Department has no questions but please update the information as appropriate.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

1. Please provide all appropriate financial statements since the Form A filing for Apollo Global Management, LLC, SPARTA, and Catalina Holdings (Bermuda) Ltd.

**ITEM 13. AGREEMENTS REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

The Department has no questions but please update the information as appropriate.

**ITEM 14. OTHER INFORMATION**

1. Page 15 of the Form A Statement provides a discussion around the competitive impact of the Proposed Acquisition. Footnote 8 identifies a proposed acquisition and indicates that such acquisition should not impact the competitive impact analysis based upon 2016 data. Please provide an update on this proposed acquisition. Has another analysis on the competitive impact of this acquisition been performed using 2017 data? If so, please provide.

2. Page 13 of the Form A Statement states that "[t]here are no federal regulatory approvals required in connection with the Proposed Acquisition." Please provide an explanation as to why a Hart-Scott-Rodino filing is not required for this Proposed Acquisition.

3. Provide a discussion centered around any material Corporate Governance or Enterprise Risk Management changes being contemplated post acquisition.

4. Please identify, if applicable, any potential material litigation of which the Applicants are aware, which are not currently reflected in the Form A, which could affect the Domestic Insurers.

**ITEM 15. SIGNATURE AND CERTIFICATION**

The Department has no questions but please be aware of the requirement that all persons who signed the Form A Application are required to be present at the hearing.

We look forward to receiving this information at your earliest opportunity. If you feel it beneficial, we are agreeable to meeting by phone or in person to discuss this letter or your proposed responses. Please be aware that further information may be requested as we continue to review and evaluate your submissions therefore we recommend that you provide detailed and complete responses to avoid our having to seek further information which may delay the process.

If you have any questions, or would like to discuss, please let me know.

Sincerely,



Jared T. Kosky  
Counsel, Connecticut Insurance Department

cc: Kathy Belfi, CID  
Joan Nakano, CID