STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In the Matter of:	:	DOCKET NO.
PROPOSED ACQUISITION OF CONTROL OF SPARTA INSURANCE COMPANY	:	
	:	EX 18-11
by		
	:	
APOLLO GLOBAL MANAGEMENT, LLC, LEON BLACK, JOSHUA HARRIS, MARC ROWAN	:	
	:	AUGUST 7, 2018
	:	

STATEMENT OF ALEXANDER HUMPHREYS

I. Introduction

Good morning. My name is Alexander Humphreys, and I am employed as a Partner by Apollo Management International LLP, which is a subsidiary of Apollo Global Management LLC. For ease of reference, I will refer to Apollo Global Management, LLC as "AGM".

It is my pleasure to be with you this morning to testify in favor of the proposed indirect acquisition of control of Catalina Holdings (Bermuda) Ltd., a Bermuda exempted company, hereafter "Catalina", and the resulting proposed indirect acquisition of control of SPARTA Insurance Company, hereafter the "Domestic Insurer". I will refer to such acquisition as the "Proposed Acquisition" by AGM and its controlling individuals, Leon Black, Joshua Harris and Marc Rowan, referred to collectively as the "Individual Applicants".

The Proposed Acquisition is subject to the Connecticut Insurance Commissioner's, hereafter the "Commissioner", prior approval under the Connecticut Insurance Code. AGM and the Individual Applicants, refered to collectively as the "Applicants", filed a Form A Application, hereafter the "Application", with the Connecticut Insurance Department, hereafter the "Department", on February 20, 2018, and amended and restated it on July 13, 2018. I am authorized to offer testimony regarding the Proposed Acquisition as an attorney-in-fact of AGM.

I joined Apollo in August 2008 and have been a Partner at Apollo since December 2017. When I refer generally to "Apollo", I am referring to AGM together with its predecessors and their respective subsidiaries and affiliates. My principal responsibilities at Apollo relate to investment evaluation and execution, including by participating in transaction due diligence and negotiation of transaction agreements, and investment ownership, including by serving on the board of the companies in which funds managed by subsidiaries of AGM invest, advising the management team and assisting in key strategic initiatives. I perform various of these responsibilities with respect to Catalina and also serve as a director of Catalina. Immediately prior to joining Apollo, I was an associate at Goldman, Sachs and Co. I received a B.S. in economics from University College London.

I am familiar with the pending indirect acquisition of control of the Domestic Insurer, and I was involved with the drafting and submission of, and have recently reviewed, the Application that is the subject of my testimony today.

II. Background Regarding the Applicants

AGM is a publicly traded company. AGM and its predecessors and their respective subsidiaries and affiliates, originally founded in 1990, operate as a global alternative investment manager, raising, investing and managing private equity, credit and real estate funds, with significant distressed investment expertise. As of March 31, 2018, Apollo had total assets under management of approximately $247.4 billion. 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.

AGM is ultimately managed, operated and controlled collectively by the Individual Applicants through BRH Holdings GP, Ltd., a Cayman Islands company referred to as "BRH", and AGM Management, LLC, a Delaware limited liability company referred to as "AGM Management". BRH owns 52.4% of AGM's voting power as of March 31, 2018, and 100% of AGM Management. AGM Management is AGM's manager. BRH is equally wholly-owned and controlled by each of the Individual Applicants. Other than BRH, which is controlled by the Individual Applicants collectively, no single person or entity owns or controls 10% or more of AGM's voting securities.

Leon Black is the Chairman of the Board, Chief Executive Officer and a Director of AGM. Mr. Black co-founded Apollo in 1990 to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts and taking minority positions in growth-oriented companies. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as a Managing Director, head of the Mergers & Acquisitions Group and co-head of the Corporate Finance Department. Mr. Black is, among others, a Co-Chairman of The Museum of Modern Art and a trustee of Mount Sinai Medical Center and Asia Society. He is also, among others, a member of Council on Foreign Relations and The Partnership for New York City and a member of the board of FasterCures. Mr. Black previously served on the boards of, among others, the general partner of AP Alternative Assets, L.P., hereafter "AAA", and Sirius XM Radio Inc. He graduated summa cum laude from Dartmouth College with a major in Philosophy and History and received an MBA from the Harvard Business School.

Joshua Harris is a Senior Managing Director and a Director of AGM and co-founded Apollo in 1990. Prior to 1990, Mr. Harris was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated. Mr. Harris is a member of the Federal Reserve Bank of New York's Investor Advisory Committee on Financial Markets and the Council of Foreign Relations. He is also a Managing Partner of the Philadelphia 76ers, Managing Member of the New Jersey Devils, a General Partner of the Crystal Palace Football Club and a member of the Board of Governors of the National Basketball Association. Mr. Harris has previously served on the board of directors of Berry Plastics Group Inc., EP Energy Corporation, EPE Acquisition, LLC, CEVA Logistics, Constellium N.V. and LyondellBasell Industries B.V. Mr. Harris also serves on the Board of Trustees of Mount Sinai Medical Center, the Harvard Business School and the University of Pennsylvania's Wharton School of Business. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a Bachelor of Science degree in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

Marc Rowan is a Senior Managing Director and a Director of AGM and co-founded Apollo in 1990. Prior to 1990, Mr. Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Incorporated, with responsibilities in high yield financing, transaction idea generation and merger structure negotiation. Mr. Rowan currently serves on the boards of, among others, Athene Holding Ltd., Athora Holding Ltd. and Aris Mortgage Holding Company, LLC. He has previously served on the boards of, among others, the general partner of AAA, AMC Entertainment, Inc., Cablecom GmbH, Caesars Entertainment Operating Co., Caesars Entertainment Corporation, Caesars Acquisition Co., Culligan Water Technologies, Inc., Countrywide Holdings Limited, Furniture Brands International Inc., Mobile Satellite Ventures,

LLC, National Cinemedia, Inc., National Financial Partners, Inc., New World Communications, Inc., the New York City Police Foundation, Norwegian Cruise Lines, Quality Distribution, Inc., Samsonite Corporation, SkyTerra Communications Inc., Unity Media SCA, Vail Resorts, Inc. and Wyndham International, Inc. Mr. Rowan is also active in charitable activities. He is a founding member and Chairman of the Youth Renewal Fund and is a member of the Board of Overseers of the University of Pennsylvania's Wharton School of Business and serves on the boards of directors of Jerusalem U, Tapd, Inc. and Penthera Partners, Inc. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in Finance.

Organization charts that present the identities of, and inter-relationships among, AGM and its affiliates that are in the chain of control of the Domestic Insurer before and after giving effect to the Proposed Acquisition are attached as Exhibit C to the Application.

III. Description of the Proposed Acquisition

The Domestic Insurer is an indirect, wholly owned subsidiary of Catalina. Catalina's shareholders, hereafter the "Selling Shareholders", are identified in the Application and include Apollo Rose, L.P., an entity that is ultimately controlled by the Applicants.

Avalon Acquisition, LLC, a Cayman Islands limited liability company that is ultimately controlled by the Applicants and referred to as "Avalon", was organized as a special purpose vehicle to enter into an agreement dated as of October 10, 2017, with the Selling Shareholders, hereafter the "Purchase Agreement". Subject to the conditions set forth in the Purchase Agreement (including approval by the Commissioner of the Proposed Acquisition), the Applicants intend to indirectly acquire control from the Selling Shareholders, and the Selling Shareholders intend to indirectly sell control to the Applicants, of the Selling Shareholders' respective shares of Catalina's voting/ordinary securities, hereafter the "Catalina Shares". A copy of the Purchase Agreement is attached as Exhibit A to the Application.

The Selling Shareholders will receive aggregate consideration of approximately $875 million, subject to certain possible adjustments as set forth in the Purchase Agreement, hereafter the "Purchase Price", in connection with the sale of the Catalina Shares, less any amount attributable to any Catalina Shares that are retained or subject to rollover by certain individual Selling Shareholders who are involved with the management of Catalina, hereafter the "Management Sellers", plus the "ticking fee" described in the Application, which fee is applicable because the Proposed Acquisition did not close by February 10, 2018.

The payment of the Purchase Price will be made in cash to the Selling Shareholders. No portion of the Purchase Price will consist of funds borrowed for the purpose of consummating the Proposed Acquisition.

The Purchase Price will be funded primarily by the Cayman Islands exempted limited partnerships that are ultimately controlled by the Applicants and identified on Exhibit B to the Application, hereafter the "Limited Partnerships". In connection therewith, Avalon will enter into certain Deeds of Assignment pursuant to which it will assign all of its rights under the Purchase Agreement to the Limited Partnerships prior to the closing of the Proposed Acquisition.

The limited partners of the Limited Partnerships are purely passive institutional investors, and none of them has any control of or voting power over the Catalina Shares or the Domestic Insurer. The Limited Partnerships are controlled by their general partner, Apollo Rose GP, L.P., which is ultimately controlled by the Applicants.

Upon the closing of the Proposed Acquisition, the Limited Partnerships will directly acquire approximately 91% of the Catalina Shares, and the Management Sellers will retain (or rollover) approximately 3% of the Catalina Shares. In addition, an unaffiliated direct investor, hereafter the "Direct Investor", will directly acquire approximately 6% of the Catalina Shares.

The Limited Partnerships, the Direct Investor, the Management Sellers and Catalina intend to enter into a Securityholders' Deed, hereafter the "New Securityholders Agreement", that will govern the relationships among them and set forth the corporate governance of Catalina upon the closing of the Proposed Acquisition. A copy of the New Securityholders Agreement, with certain provisions redacted as agreed with the Department following its in camera review, is attached as Exhibit P to the Application.

Under the New Securityholders Agreement, among other matters, Catalina's Board of Directors will consist of nine members as follows: (a) five members who effectively are appointed by the Limited Partnerships, hereafter the "AGM-Appointed Directors"; (b) two members who are appointed by certain Management Sellers; and (c) two independent members who effectively are appointed by the Limited Partnerships. Pursuant to a Side Letter to the New Securityholders Agreement, for so long as the Direct Investor owns at least 2.25% of the total issued and outstanding Catalina Shares, the Direct Investor has the right to nominate, suspend, dismiss or replace an individual to be appointed as one of the five AGM-Appointed Directors, and the Limited Partnerships are required to promptly procure such appointment, suspension, dismissal or replacement, thereby effectively giving the Direct Investor the right to appoint one of the nine members of Catalina's Board of Directors. A copy of the Side Letter to the New Securityholders Agreement, with certain provisions redacted as agreed with the Department following its in camera review, is attached as Exhibit Q to the Application.

For further detail of the principal terms of the Proposed Acquisition, please see the Purchase Agreement, the New Securityholders Agreement and the Side Letter to the New Securityholders Agreement.

IV. Future Plan for the Domestic Insurer

The Applicants have no present plans or proposals to: (a) cause the Domestic Insurer to declare an extraordinary dividend; (b) liquidate the Domestic Insurer; (c) sell the Domestic Insurer's assets (except for investment transactions and minor asset dispositions in the ordinary course of business) or merge the Domestic Insurer with any person or persons; or (d) make any other material change in the Domestic Insurer's business operations or corporate structure or management. Furthermore, the Applicants have no present plans to cause the Domestic Insurer to enter into any new agreements with any affiliates of the Applicants or to make any changes to the Domestic Insurer's officers and directors. Although the Applicants have no present plan or proposal to cause the Domestic Insurer to declare an extraordinary dividend, Catalina plans to

have the Domestic Insurer seek the Department's approval from time to time for certain capital redemptions, as set forth in the pro forma financial statements described below.

The Domestic Insurer is in the business of run-off and is no longer writing new business. Following the closing of the Proposed Acquisition, the Domestic Insurer will continue to maintain its separate corporate existence and continue its run-off operations as currently conducted.

As Catalina previously informed the Department, such operations include using the Domestic Insurer as the recipient of blocks of legacy business, either by merger (as Catalina has done in the past with certain internal consolidations and mergers) or by writing loss portfolio reinsurance, subject in each case to any required prior approval by the Department. Such operations are described in greater detail in the business plan, including pro forma financial statements (the assumptions for which are included in the business plan), which are attached as Exhibit E to the Application.

The Applicants understand that the Domestic Insurer contracts with its wholly-owned direct subsidiary, Catalina U. S. Insurance Services LLC ("CUSIS"), to manage its business of run-off and that such contract has been filed with and either approved or not disapproved by the Department. CUSIS maintains an office in Connecticut from which it manages the Domestic Insurer. CUSIS will continue to manage the Domestic Insurer from a location in Connecticut, and the Applicants have committed to cause CUSIS, as a subsidiary of the Domestic Insurer, to maintain the equivalent of at least twenty-four (24) full-time employees located in Connecticut for four (4) years following the closing of the Proposed Acquisition.

V. Statutory Criteria

I would now like to address the specific criteria that I understand the Commissioner must consider when deciding whether to approve the Proposed Acquisition.

Requirements for Issuance of a License

First, the Domestic Insurer must 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. As previously discussed, the Domestic Insurer will be operated consistently with how it is currently operated. The Applicants will ensure that the Domestic Insurer maintains the minimum required capital and surplus to write the lines of business for which it is currently licensed and that the Domestic Insurer's post-closing operations will not impair its ability to qualify for such licenses.

Effect on Competition

The next criterion looks at whether the Proposed Acquisition will substantially lessen competition of insurance in Connecticut or tend to create a monopoly in insurance in Connecticut. As described further below, the Proposed Acquisition will not substantially lessen competition or tend to create a monopoly because neither Catalina nor the Applicants control any insurer that has any market share in any property and casualty line of business in Connecticut.

Catalina and its direct and indirect subsidiaries, including the Domestic Insurer, are engaged exclusively in property and casualty lines of insurance, with no accident and health business. Based on 2017 data obtained from S&P Global Market Intelligence (formerly known as SNL Financial), none of Catalina's insurer subsidiaries, including the Domestic Insurer, has any market share in any property and casualty line of business in Connecticut. Furthermore, the Applicants do not presently control any insurers that write property and casualty lines of business in Connecticut other than the insurer subsidiaries of OneMain Holdings, Inc., none of which has any market share in any property and casualty line of business in Connecticut based on the 2017 data obtained from S&P Global Market Intelligence.

Financial Condition of the Acquiring Parties

The Commissioner also considers whether the financial condition of the Applicants is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders. The Applicants have strong financials, as demonstrated by the financial statements and information attached as Exhibit F to the Application. Accordingly, the financial condition of the Applicants should not jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.

Plans to Liquidate the Domestic Insurer

The next criterion looks to whether there are plans or proposals of the Applicants to liquidate the Domestic Insurer, sell the Domestic Insurer's assets or consolidate or merge the Domestic Insurer with any person, or to make any other material change in its business or corporate structure or management, that are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest. As previously discussed, the Applicants have no present plans to liquidate the Domestic Insurer, sell its assets, consolidate or merge it with any person or make any other material change in its business or corporate structure or management.

Competence, Experience and Integrity of Controlling Persons

The next criterion looks at whether the competence, experience and integrity of those persons who would ultimately control the Domestic Insurer are such that it would not be in the interest of policyholders of the Domestic Insurer and of the public.

Biographical information on the directors and executive officers of AGM, including the Individual Applicants, has been provided, and third party background checks have been provided to the Department. The directors and executive officers of AGM, including the Individual Applicants, are demonstrably competent and experienced, and their background checks have not provided any reason to question their integrity. Furthermore, as previously mentioned, the Applicants have no present plan to make any change to the Domestic Insurer's current officers and directors.

Whether the Proposed Acquisition is Likely to be Hazardous or Prejudicial

Finally, the Commissioner considers whether the Proposed Acquisition is likely to be hazardous or prejudicial to those buying insurance. As has hopefully been made clear through my testimony, the Domestic Insurer will be managed consistently with the way it is currently

managed. Moreover, I expect the experience and financial strength of the Applicants to result in the Proposed Acquisition being advantageous for the Domestic Insurer and its policyholders.

VI. Conclusion

In closing, I want to thank the Department for allowing me to present this testimony and for its work in reviewing the Application. The Applicants look forward to receiving approval of the Proposed Acquisition and working closely with the Department in the future. I and the rest of the team would be happy to answer any questions that the Department may have. Thank you very much for your consideration of this matter.