

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 STEPHEN EISENMANN

Good morning. My name is Stephen Eisenmann, and I am the President and Chief Claims Officer of SPARTA Insurance Company (the “Domestic Insurer”). The Domestic Insurer is an indirect, wholly owned subsidiary of Catalina Holdings (Bermuda) Ltd. (“Catalina”). I am joined by Keith Lyon, the Group General Counsel of Catalina.

On behalf of Catalina, it is my pleasure to be with you this morning to testify in favor of the proposed indirect acquisition of control of Catalina and the resulting indirect acquisition of control of the Domestic Insurer (the “Proposed Acquisition”) by Apollo Global Management, LLC (“AGM”) and its controlling individuals, Leon Black, Joshua Harris and Marc Rowan (collectively with AGM, the “Applicants”).

I. Description of Catalina

Catalina, established in 2007, is a holding company organized under the laws of Bermuda. Catalina is a specialist consolidator of non-life general insurance and reinsurance companies and portfolios in run-off. Catalina acquired the Domestic Insurer in September 2014 and, since then, has been engaged in business in Connecticut. In addition to Connecticut, Catalina has indirect insurance company subsidiaries domiciled in California, Colorado, Washington, D.C. and New York, and overseas in Bermuda, Switzerland, the United Kingdom and Ireland.

II. Description of the Process Leading to the Proposed Acquisition

In response to a number of unsolicited inquiries to Catalina regarding a potential sale, Catalina’s three institutional selling shareholders (the “Selling Shareholders”) made the decision to engage Barclays Capital and J.P. Morgan to commence a formal auction process. Over sixty (60) potential buyers signed Non-Disclosure Agreements and received, at minimum, the information memorandum regarding the potential sale of Catalina. Several formal bids were received, with varying structures including a full acquisition of Catalina, partnership proposals to dilute the Selling Shareholders and proposals to sponsor a capital raise to complete the transaction.

Subsequently, but prior to a decision being made in relation to any third-party bids received, Apollo¹ indicated that it wished to submit an offer. At that point, Apollo recused itself from further consideration of third-party bids. In addition, to maintain competition, no exclusivity was granted in connection with the potential sale.

After careful deliberation, it was decided to proceed with Apollo’s offer. Among other reasons for this decision were that (a) Apollo was a known and trusted counterparty to Catalina and (b) the financing contingency attaching to Apollo’s offer presented significantly less uncertainty than similar contingencies attached to all of the other bids.

¹ When I refer generally to “Apollo”, I am referring to AGM together with its predecessors and their respective subsidiaries and affiliates.

III. The Proposed Acquisition is Beneficial to Catalina, its Policyholders, its Employees, its Stockholders and the State of Connecticut

Catalina is confident that the Proposed Acquisition will yield many positive benefits for stakeholders, including policyholders, who will benefit from Apollo's extensive expertise in, among other matters, assisting management teams to realize growth opportunities. Following the closing of the Proposed Acquisition, the Applicants plan for the Domestic Insurer to continue to maintain its separate corporate existence and to continue in its business of run-off as currently conducted by Catalina. As Catalina previously informed the Connecticut Insurance Department (the "Department"), such business includes 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/mergers) or by writing loss portfolio reinsurance, subject in each case to any required prior approval by the Department.

a. The Proposed Acquisition is Beneficial to Catalina, its Policyholders and its Employees

After the Proposed Acquisition is completed, Catalina intends to operate the Domestic Insurer in a manner similar to how the Domestic Insurer has operated in the past. The Domestic Insurer contracts with its wholly-owned direct subsidiary, Catalina U. S. Insurance Services LLC ("CUSIS"), to manage its business of runoff, which 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 has no current plans to reduce its Connecticut-based workforce. Additionally, 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. The policyholders of the Domestic Insurer will benefit not only from Catalina's plan to operate the Domestic Insurer in a similar manner, but also from the stability and financial strength that Apollo will bring through its investment in Catalina.

b. The Proposed Acquisition is Beneficial to Catalina's Stockholders

When evaluating the Proposed Acquisition, the Selling Shareholders not only considered the potential values, benefits, risks and uncertainties facing the Selling Shareholders associated with possible strategic alternatives to the Proposed Acquisition, and the timing and likelihood of accomplishing such alternatives, but also considered information with respect to its financial condition and prospects. At the conclusion of the Selling Shareholders' exploration of a potential sale of Catalina, the Selling Shareholders determined Apollo's proposal to be the superior proposal, and the Selling Shareholders decided to proceed with the Proposed Acquisition.

c. The Proposed Acquisition is Beneficial to the State of Connecticut

The Proposed Acquisition is also beneficial to the State of Connecticut. Apollo has no present plans to liquidate the Domestic Insurer, sell its assets to or merge it with any person, or to

make any other material change in its business operations or corporate structure or management or cause the Domestic Insurer to enter into any material arrangements with any party. Additionally, CUSIS, the Domestic Insurer's wholly-owned direct subsidiary, will maintain the Connecticut employment levels described above and maintain its offices in Connecticut.

IV. Conclusion

In closing, we would like to thank the Department for the opportunity to testify at this hearing today and for the extensive efforts that Department staff undertook as part of the comprehensive review of the Proposed Acquisition.

Thank you.