



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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 In the Matter of: :
 :
 PROPOSED ACQUISITION OF CONTROL OF :
 :
 R.V.I. AMERICA INSURANCE COMPANY :
 :
 by :
 :
 R.V.I. ACQUISITION HOLDINGS, LLC, :
 R.V.I. HOLDINGS, LLC, R.V.I. MANAGER, LLC and :
 MARK R. WALTER :
 -----X

Docket No. EX19-100

ORDER

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having read the record in the above-captioned matter, do hereby adopt the findings and recommendations of Joshua Hershman, Hearing Officer, which are contained in the attached Proposed Final Decision, dated May 1, 2020, and issue the following order, TO WIT;

1. The Application of the Applicants in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition including how the final purchase price was funded.

5. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurer.

8. For the period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six (6) months from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of the business of the Domestic Insurer; changes in offices of the Domestic Insurer; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants and Domestic Insurer.

9. The Domestic Insurer shall maintain employee levels at least consistent with the current staffing levels of fifty (50) persons located in Connecticut and the offices of the Domestic Insurer (R.V.I. America Insurance Company) will remain in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

10. The Domestic Insurer shall continue to maintain its books and records in Connecticut and shall make all such items available for inspection by the Commissioner at any time.

11. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants' inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

13. Applicants' waiver request from the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurer undergoing a financial and market conduct examination within thirty (30) days following the Proposed Acquisition is GRANTED.

Dated at Hartford, Connecticut, this 6th day of May, 2020.



Andrew N. Mais
Insurance Commissioner



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PROPOSED FINAL DECISION

I. INTRODUCTION

R.V.I. Acquisition Holdings, LLC, R.V.I. Holdings, LLC, R.V.I. Manager, LLC and Mark R. Walter ("Applicants") seek the approval of the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control ("Proposed Acquisition") of the Connecticut domestic insurer R.V.I. America Insurance Company ("Domestic Insurer"), pursuant to an Amended and Restated Form A dated February 18, 2020 ("Application") filed with the Connecticut Insurance Department ("Department") in accordance with General Statutes § 38a-130 and section 38a-138-6 of the Regulations of Connecticut State Agencies.

The Proposed Acquisition will be effected pursuant to the terms of the Stock Purchase Agreement ("Agreement") between by and among the Domestic Insurer and the Applicants, dated as of September 12, 2019.

The Insurance Commissioner ("Commissioner"), is required by General Statutes § 38a-132 and section 38a-138-6 of the Regulations of Connecticut State Agencies to hold a public hearing on the Proposed Acquisition of the Domestic Insurer within thirty (30) days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the original Form A dated October 16, 2019

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and thereafter requested the Applicants to file supplemental information. On February 18, 2020, the Applicants filed an Amended and Restated Form A, the Application, with the Department which amends and restates portions of the original Form A text and also includes certain new and revised exhibits.

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated March 18, 2020, in which he ordered that the public hearing be held on April 15, 2020 concerning the application for approval of the Proposed Acquisition of the Domestic Insurer. The hearing notice was subsequently published in the *Hartford Courant*, once a week for two consecutive weeks. The notice of hearing was also uploaded to the Connecticut State Agency Public Meeting Calendar on March 25, 2020 and was published on the Department's internet website. In accordance with section 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicants and the Domestic Insurer were designated as parties to this proceeding.

On March 25, 2020, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On April 15, 2020, the public hearing on the Proposed Acquisition of the Domestic Insurer was held before the undersigned. Pursuant to Executive Order No. 7B, issued by Connecticut Governor Ned Lamont on March 14, 2020, this hearing is was held remotely via teleconference. Two teleconference lines were dedicated for this hearing; one for the parties and department staff and one for the public.

Todd E. Freed, Esq. of Skadden, Arps, Slate, Meagher & Flom, LLP, and Elizabeth P. Retersdorf, Esq. of Day Pitney, LLP, represented the Applicants. Mark R. Walter, an Individual Applicant; Daniel J. Towriss, President, R.V.I. Acquisition Holdings, LLC and R.V.I. Holdings LLC; Michael I. Hervitz, Vice President, R.V.I. Acquisition Holdings, LLC, R.V.I. Holdings, LLC and R.V.I. Manager, LLC; and David B. Snyder, Assistant Secretary R.V.I. Acquisition Holdings, LLC and R.V.I. Holdings, LLC, testified at the public hearing on behalf of the Applicants.

Serge Benchetrit, Esq. of Willkie, Farr & Gallagher, LLP, and Michael Menapace, Esq. of Wiggin and Dana, LLP, represented the Domestic Insurers. Michael McGroarty, Co-Chief Executive Officer, Co-President, General Counsel and Assistant Secretary of R.V.I. America Insurance Company, testified at the public hearing on behalf of the Domestic Insurer.

The following Department staff participated in the public hearing: Kathy Belfi, Director of the Financial Regulation Division; Joan Nakano, Supervising Insurance

Examiner; Philip Barrett, Insurance Certified Financial Examiner; and Jared Kosky, Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. No oral or written comments on the Application were received.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of facts:

1. R.V.I. Acquisition Holdings, LLC is a Delaware limited liability company with a business address of 401 Pennsylvania Parkway, Suite 300, Indianapolis, Indiana, and was formed on August 26, 2019 for the purpose of engaging in the Proposed Transaction. It conducts no other business. R.V.I. Holdings, LLC owns 100% of the membership of R.V.I. Acquisition Holdings, LLC which is a sole member limited liability company that will be managed by R.V.I. Holdings, LLC, its sole member.
2. R.V.I. Holdings, LLC is a Delaware limited liability company with a business address of 401 Pennsylvania Parkway, Suite 300, Indianapolis, Indiana, and was formed on June 26, 2019 for the purpose of engaging in the Proposed Transaction. It conducts no other business. R.V.I. Manager, LLC owns 100% of the voting membership interests of R.V.I. Holdings, LLC which will be managed by R.V.I. Manager, LLC.
3. R.V.I. Manager, LLC is a Delaware limited liability company with a business address of 401 Pennsylvania Parkway, Suite 300, Indianapolis, Indiana, and was formed on October 8, 2019 for the purpose of managing R.V.I. Holdings, LLC. It conducts no other business. Mark R. Walter owns 100% of the membership interests of R.V.I. Manager, LLC which is a sole member limited liability company that will be managed by Mark R. Walter, its sole member.
4. Mark R. Walter wholly owns R.V.I. Manager, LLC. Mr. Walter is a businessman who cofounded, and is Chief Executive Officer of, Guggenheim Partners, a global financial services firm. Mr. Walter has significant business holdings in the insurance space through Group 1001, which owns and operates both life and

property and casualty insurance companies as well as affiliated agencies and services companies.

5. R.V.I. America Insurance Company ("Domestic Insurer") is a Connecticut domiciled property and casualty insurer with a business address of 201 Broad Street, Floor 6, Stamford, Connecticut. The Domestic Insurer is a direct, wholly owned subsidiary of R.V.I. America Corporation, a Delaware corporation, which is in turn a direct, wholly owned subsidiary of R.V.I. Guaranty Co., Ltd., a property and casualty insurance company domiciled in Bermuda ("R.V.I.G."). Quantum Strategic Partners Ltd., a Cayman Islands exempted limited company ("Quantum"), holds 98% of the issued and outstanding capital stock of R.V.I.G. The Domestic Insurer is a licensed property and casualty insurer in all 50 U.S. states and the District of Columbia and engages in the business of underwriting and issuing residual value insurance policies.
6. The Proposed Acquisition will be effected pursuant to the terms of the Stock Purchase Agreement dated as of September 12, 2019, pursuant to which R.V.I. Acquisition Holdings, LLC will acquire all of the issued and outstanding shares of capital stock of R.V.I.G. and, indirectly, the Domestic Insurer.
7. The purchase price for all of the issued and outstanding shares of capital stock of R.V.I.G. and, indirectly, the Domestic Insurer is \$145,000,000. A portion of the purchase price, \$18,125,000, will be held in escrow pursuant to an escrow agreement to be mutually agreed among the parties and the escrow agent until the two-year anniversary of the closing of the Proposed Acquisition.
8. The Applicants represent that immediately following the closing of the Proposed Acquisition, the Domestic Insurer will continue to maintain its separate corporate existence and will continue its operations as currently conducted. In addition, the Applicants have no present plans or proposals to cause the Domestic Insurer to change its existing investment management policies.
9. Following are the names and titles of the respective executive officers of the Applicants:

R.V.I. Acquisition Holdings, LLC

Name:	Position:
Daniel J. Towriss	President
Michael I. Hervitz	Vice President

R.V.I. Holdings, LLC

Name:	Position:
Daniel J. Towriss	President
Michael I. Hervitz	Vice President

R.V.I. Manager, LLC

Name:	Position:
Michael I. Hervitz	Vice President

10. The biographical affidavits of the executive officers of the Applicants included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Applicants and indirectly the Domestic Insurer post-acquisition.
11. The Applicants represent that they have no present plans or proposals to change the Domestic Insurer's existing directors and executive officers except for the appointment of Michael I. Hervitz as a member of the Domestic Insurer's board of directors. The Applicants anticipate an ongoing review of the composition of the Domestic Insurer's management, including its directors and executive officers. If the Applicants propose to make changes as a result of such review, they would be communicated to the Department as appropriate and as required by law and would be effected in compliance with all applicable statutory and regulatory requirements. Following are the names and titles of the directors and executive officers of the Domestic Insurer post-acquisition:

Directors

Name:	Position:
Douglas Heller May	Director
Michael I. Hervitz	Director

Officers

Name:	Position:
Daniel Patrick Egan	Co-Chief Executive Officer, Co-President & Chief Risk Officer

Michael Patrick McGroarty	Co-Chief Executive Officer, Co-President, General Counsel & Assistant Secretary
David Andrew Klanica	CFO and Executive Vice President
John Lamar O'Bryan	Senior Vice President, Commercial Equipment
Elizabeth Shepard Lutes	Executive Vice President, People, Planning and Communication
Wei Fan	Senior Vice President, Passenger Vehicle
Roger Raymond Morin	Senior Vice President, Commercial Equipment
Darrel Mark Seife	Vice President, Deputy General Counsel & Secretary

12. The biographical affidavits of the members of the directors and officers of the Domestic Insurer, post-acquisition, included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Domestic Insurer after the Proposed Acquisition.
13. The Applicants represent they have no present plans or proposals to cause the Domestic Insurer to declare any extraordinary dividend or make other distributions, to liquidate the Domestic Insurer, to sell the assets of the Domestic Insurer (other than in the ordinary course), to merge or consolidate the Domestic Insurer with any person or persons or to make any other material change in the Domestic Insurer's business operations, corporate structure or management.
14. The Applicants have represented that they do not contemplate moving the Domestic Insurer's books, records, documents, accounts, vouchers, and agreements from their current location in Connecticut and shall make all such items available for inspection by the Commissioner at any time.
15. Other than as disclosed in the Application, none of the Applicants, their affiliates or, to the Applicants' knowledge, any of the Individuals associated with the Applicants holds of record or beneficially owns any voting securities of the Domestic Insurer or any of its controlling persons. Other than as disclosed in the Application, none of the Applicants, their affiliates or, to the Applicants' knowledge, any of the Individuals associated with the Applicants has any right to acquire any voting securities issued by the Domestic Insurer or any of its controlling persons.

16. Other than as disclosed in the Application, there are no contracts, arrangements or understandings with respect to any voting security of the Domestic Insurer or any of its controlling persons in which any of the Applicants, their affiliates or the Individuals associated with the Applicants 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.
17. During the last twelve (12) calendar months preceding the filing of the Application, none of the Applicants, their affiliates or, to the knowledge of the Applicants, any of the Individuals associated with the Applicants has purchased any voting securities of the Domestic Insurer or any of its controlling persons.
18. None of the Applicants, their affiliates or, to the knowledge of the Applicants, any of the Individuals associated with the Applicants, or anyone based upon interviews or at the suggestion of the foregoing persons has made any recommendations to purchase any voting securities of the Domestic Insurer or any of its controlling persons during the twelve (12) calendar months preceding the filing of the Application.
19. There are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of the Domestic Insurer or any of its controlling persons for tender with regard to the Proposed Acquisition.

III. DISCUSSION

The Insurance Commissioner is required to approve the Proposed Acquisition unless, after a public hearing, he finds that the proposed acquisition of control of the Domestic Insurer would result in any of the conditions set forth in General Statutes §§ 38a-132 (a) (1) through (6). These conditions will be addressed in turn.

(1) After the change of control, the Domestic Insurer would not 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.

General Statutes § 38a-132 (a) (1) requires the Domestic Insurer to satisfy the requirements for the issuance of licenses to write the line or lines of business for which it is presently licensed following the proposed acquisition of control. The Domestic Insurer is currently licensed pursuant to General Statutes § 38a-41 and satisfies the requirements

for the issuance of a license to write the lines of business for which it is licensed. The Domestic Insurer is currently licensed as a property and casualty insurance company. The Applicants, through testimony and submissions, indicate that no changes will be made to the Domestic Insurer such that it would not be able to satisfy the requirements for the issuance of its licenses.

In addition to the financial requirement criteria set forth in General Statutes § 38a-72, the Department considers the location of a company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate in this state pursuant to § 38a-41. The Applicants, in testimony and submissions, have confirmed that such books and records will remain in their present location in Connecticut.

As noted in the Findings of Fact, 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 (other than in the ordinary course of business) or merge the Domestic Insurer with any person(s); or (d) make any other material change in the Domestic Insurer's business operations, corporate structure or management.

At the public hearing, David Snyder testified that; "[f]ollowing the confirmation of the proposed transaction, the Applicants intend to continue the business of the Domestic Insurer without any material change to its business operations and have no intention of causing the Domestic Insurer to take any actions that would inhibit its ability to satisfy the requirements for licensure under Connecticut insurance law."¹

Moreover, based on the information contained in the biographical affidavits for the directors and officers of the Applicants and Domestic Insurer, the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurer following the consummation of the proposed transaction, are such that the safe and expert operation of the Domestic Insurer will continue following the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that the Domestic Insurer will be able to satisfy the requirements for the issuance of the necessary license of insurers for which it is presently licensed following completion of the Proposed Acquisition of control.

¹Hrg. Transcr. 26-27:22-4 (April 15, 2020).

(2) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

General Statutes § 38a-132 (a) (2) requires that the proposed transaction neither substantially lessen competition nor create a monopoly in Connecticut. In evaluating the effect of the proposed acquisition on competition in Connecticut, the Commissioner is required by General Statutes § 38a-132 (a) (2) (A) to consider the information required under General Statutes § 38a-131 (c) (1) and the considerations specified in General Statutes § 38a-131 (d) (1). In this regard, the Commissioner must consider the percentages of market shares of the Applicants and affiliates and the Domestic Insurer and the market in which the insurers compete, as set forth in § 38a-131 (d) (1). If certain quantitative criteria are met, then there is *prima facie* evidence that the competitive standard has been violated. (See § 38a-131 (d) (1)).

General Statutes § 38a-131 (d) (2) defines “market” as the relevant product and geographical markets. In determining the relevant product and geographical markets, § 38a-131 (d) (2) specifies that in the absence of sufficient information to the contrary, the relevant product market shall be the direct written insurance premium for a line of business as used in the annual statement insurers doing business in this state are required to file with the Commissioner, and the relevant geographical market shall be Connecticut.

On November 13, 2019, the Department granted the Applicants’ request for exemption from the pre-acquisition notification filing. The Domestic Insurer and the insurers in the insurance holding company group with which the Applicants are affiliated that are licensed in Connecticut currently write lines of business in Connecticut that are different from one another and there is no overlap. As such, the immediate result of the Proposed Acquisition with respect to market share in Connecticut will not result in any increase in share or concentrations in any reported lines of business.

Accordingly, the undersigned hereby finds that, based on the evidence contained in the record of this proceeding, the effect of the acquisition of control of the Domestic Insurer by the Applicants will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

(3) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice

the interests of its policyholders.

General Statutes § 38a-132 (a) (3) requires that the financial condition of any acquiring company be in sufficiently sound financial condition so as not to jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.

In pre-filed testimony, Daniel J. Towriss stated: "Mr. Walter's financial condition is strong, as evidenced by Mr. Walter's net worth affidavits submitted to the Department on November 21, 2019 and March 25, 2020. Purchaser (R.V.I. Acquisition Holdings, LLC) and Holdings (R.V.I. Holdings, LLC) were recently formed for the purpose of engaging in the Proposed Transaction, and Manager (R.V.I. Manager, LLC) was recently formed for the purpose of managing Holdings. None of Purchaser, Holdings or Manager has conducted any other business since its formation. Accordingly, the financial condition of the Applicants is not such that it might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its respective policyholders."²

Based on the information entered into the record of this proceeding, including the Application, the pre-filed testimony of Mr. Towriss and the net worth affidavits of Mark R. Walter, the undersigned hereby finds that there is no evidence indicating that the financial condition of the Applicants might jeopardize the financial condition of the Domestic Insurer, or prejudice the interests of its policyholders.

(4) The plans or proposals of the acquiring party to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in the business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.

General Statutes § 38a-132 (a) (4) requires that the acquiring party not be contemplating any material changes in the business of the Domestic Insurer that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest.

Mr. Snyder testified that; "the Applicants have no current plans or proposals to liquidate the Domestic Insurer to sell its assets or to consolidate it or merge it with any person or to make any other material change in its business operation, corporate structure

²Daniel J. Towriss Pre-Filed Affidavit, p. 9 (Ex. 22).

or management.”³ The Application⁴ and pre-filed testimony of Mr. Towriss⁵ reiterates these statements.

Accordingly, based on the information entered into the record of this proceeding, the undersigned hereby finds that there are no material plans or proposals for the Domestic Insurer that are unfair and unreasonable to policyholders of the Domestic Insurer or not in the public interest.

(5) The competence, experience and integrity of those persons who would control the operation of the Domestic Insurer are such that it would not be in the interest of the policyholders of the Domestic Insurer and of the public to permit the merger or other acquisition of control.

General Statutes § 38a-132 (a) (5) requires that the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. The record includes the biographical affidavits and third party reports of those individuals who serve as officers of the Applicants and who will serve as members of the board and as officers of the Domestic Insurer post-acquisition. The biographical affidavits disclose each individual’s education background, professional credentials and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten (10) years, none of the officers of the Applicants or members of the board and officers of the Domestic Insurer have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking. During the last ten (10) years, none of the officers of the Applicants or members of the board and officers of the Domestic Insurer have been the subject of any proceeding under the Federal Bankruptcy Code, or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no officer of the Applicants or member of the board and officers of the Domestic Insurer have had a revocation, suspension or disciplinary sanction imposed

³Hrg. Transcr. 29:17-22 (April 15, 2020).

⁴See Amended Form A Statement, p. 10 (February 18, 2020).

⁵See Daniel J. Towriss Pre-Filed Affidavit, p. 9 (Ex. 22).

against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals.

The Domestic Insurer is a licensed property and casualty insurer engaged in the business of underwriting and issuing residual value insurance policies.⁶ Given the nature of the Domestic Insurer's business, the competence and experience of its staff post-acquisition is critical.

Mr. Snyder testified that; "[t]he Applicants have no current plans or proposals to make any changes to the directors and executive officers of the Domestic Insurer except for the appointment of Michael Hertz as a member of the Domestic Insurer's Board of Directors."⁷ In his pre-filed testimony, Mr. Towriss stated that in addition to this, "the Applicants do not have any present plans to change any 'key person' roles at the Domestic Insurer."⁸ Mr. Towriss also stated that; "[t]he Applicants have no present plans or proposals to decrease Domestic Insurer employment levels in the State of Connecticut or to move the Domestic Insurer's main administrative office located in Stamford, Connecticut."⁹ In addition, R.V.I. Acquisition Holdings, LLC and the Domestic Insurer "entered into employment or retention agreements with members of the management team [of the Domestic Insurer] in connection with, or shortly following, entering into the Stock Purchase Agreement. Given Purchaser's focus on continuity of business and the importance of retaining those executives who are responsible for the success of the Domestic Insurer's business, these Employee Agreements were critical to Purchaser's willingness to negotiate and enter into the Stock Purchase Agreement."¹⁰

Mr. Snyder further testified that; "[w]ith respect to the Applicants, the two executive officers of the Applicants are Daniel Towriss and Michael Hertz. Following the confirmation of the proposed transaction Mark Walter will become the ultimate controlling person of the Domestic Insurer. Mr. Walter, Mr. Towriss, and Mr. Hertz are very well experienced and competent based on their history with the companies they serve and their prior work experience."¹¹

⁶See Amended Form A Statement, p. 1 (February 18, 2020).

⁷Hrg. Transcr. 30:7-12 (April 15, 2020).

⁸Daniel J. Towriss Pre-Filed Affidavit, p. 7 (Ex. 22).

⁹Id.

¹⁰Id., p. 8.

¹¹Hrg. Transcr. 30-31:20-3 (April 15, 2020).

With respect to corporate governance and enterprise risk management, Mr. Towriss stated that; “[t]he Applicants are committed to the continuation of the best-in-class governance and enterprise risk management practices at and by the Domestic Insurer. The Applicants’ due diligence has demonstrated that the Domestic Insurer’s current practices align closely with the practices of insurance companies affiliated with the Applicants.”¹²

Accordingly, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurer after completion of the Proposed Acquisition are sufficient to indicate that the interests of policyholders of the Domestic Insurer and of the public will not be jeopardized by the Applicants’ acquisition of control of the Domestic Insurer.

(6) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.

General Statutes § 38a-132 (a) (6) requires that the proposed acquisition not be hazardous or prejudicial to the insurance buying public.

Mr. Snyder testified that; “[t]he Applicants have no present plans or proposals to make any material change of the Domestic Insurer’s business operations, corporate structure or management. Accordingly, the proposed transaction will not have the effect of altering the current operations of the Domestic Insurer with respect to those buying insurance. Further, ... the individuals who manage the Domestic Insurer have extensive experience. In sum, there is no evidence that the proposed transaction is likely to be hazardous or prejudicial to those buying insurance.”¹³

Based on the financial strength of the Applicants, the commitments contained within the Application and Stock Purchase Agreement, the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer post-acquisition, the retention of management team members of the Domestic Insurer, the testimony of Daniel Towriss and David Snyder, the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

¹²Daniel J. Towriss Pre-Filed Affidavit, p. 7 (Ex. 22).

¹³Hrg. Transcr. 31-32:25-12 (April 15, 2020).

Accordingly, assuming compliance with the Applicants' commitments as set forth in the record and with all of Connecticut's insurance statutes and regulations, the undersigned hereby finds that it is reasonable to conclude that the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

IV. RECOMMENDATION

Based on the foregoing Findings of Fact and Discussion, the written and oral testimony and exhibits submitted to the Department, and the record of the April 15, 2020 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in General Statutes § 38a-132 (a) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Commissioner find, pursuant to § 38a-132 (a) that after the Proposed Acquisition of control (i) the Domestic Insurer will be able to satisfy the requirements for the issuance of a license for the lines of business for which it is presently licensed; (ii) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly herein; (iii) the financial condition of the Applicants is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders; (iv) the Applicants' plans or proposals for the Domestic Insurer are not unfair and unreasonable to the policyholders of the Domestic Insurer and are in the public interest; (v) the competence, experience and integrity of the management of the Applicants and Domestic Insurer are such that it would be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Acquisition; and (vi) completion of the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

1. The Application of the Applicants in which it seeks approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.

3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.

4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition including how the final purchase price was funded.

5. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurer.

8. For the period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six (6) months from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of the business of the Domestic Insurer; changes in offices of the Domestic Insurer; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants and Domestic Insurer.

9. The Domestic Insurer shall maintain employee levels at least consistent with the current staffing levels of fifty (50) persons located in Connecticut and the offices of the Domestic Insurer (R.V.I. America Insurance Company) will remain in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

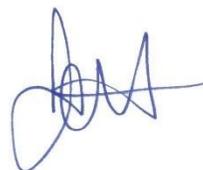
10. The Domestic Insurer shall continue to maintain its books and records in Connecticut and shall make all such items available for inspection by the Commissioner at any time.

11. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants' inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

13. Applicants' waiver request from the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurer undergoing a financial and market conduct examination within thirty (30) days following the Proposed Acquisition is GRANTED.

Dated at Guilford, Connecticut, this 1st day of May, 2020.



Joshua Hershman
Hearing Officer