

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
Application of James “Bruce” Flatt,	:	Companies Act, Article XIV of the
Brian Kingston, Brookfield Reinsurance	:	Insurance Company Law of 1921,
Ltd., Partners FC II Ltd., Partners FC	:	Act of May 17, 1921, P. L. 682, as
Ltd., Partners BK Ltd., BAM Re Trustee	:	amended, 40 P.S. §§991.1401,
Ltd., BAM Re Partners Trust, BAM Re	:	991.1402 and 991.1403
Holdings Ltd., BAMR US Holdings	:	
(Bermuda) I Ltd., BAMR US Holdings,	:	Order No. ID-RC-23-06
LLC, and BNRE Triangle Acquisition	:	
Inc., in Support of the Request for	:	
Approval to Acquire Control of	:	
Rockwood Casualty Insurance Company	:	
and Somerset Casualty Insurance	:	
Company	:	

DECISION AND ORDER

AND NOW, on this 9th day of November, 2023, Michael Humphreys, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

Identity of PA Domestic Insurers

1. Somerset Casualty Insurance Company (“Somerset”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Rockwood, Pennsylvania.
2. Rockwood Casualty Insurance Company (“Rockwood”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with

- its principal place of business in Rockwood, Pennsylvania. Rockwood currently owns 100% of the issued and outstanding shares of capital stock of Somerset.
3. Somerset and Rockwood together are the “Domestic Insurers”.
 4. Argo Group US, Inc. (“Argo US”) is a foreign corporation organized pursuant to the laws of Delaware with its principal place of business in San Antonio, Texas. Argo US currently owns 100% of the issued and outstanding shares of capital stock of Rockwood.
 5. Argo Group International Holdings, Ltd. (“Argo Group”) is a Bermuda exempted company limited by shares. Argo Group reported 35,484,286 publicly traded common shares (including 391,020 restricted shares granted under Argo Group share plans that are subject to vesting restrictions) issued and outstanding as of February 3, 2023. Argo Group currently indirectly holds 100% of the issued and outstanding stock of Argo US.
 6. No entity controls Argo Group.
 7. Argo Group is the ultimate controlling person of the Domestic Insurers.

Identity of Applicants

8. James “Bruce” Flatt (“Mr. Flatt”) is an individual who directly and indirectly holds an approximately 10.2% interest in the Class A exchangeable limited voting shares (the “Brookfield Re Class A Shares”) of Brookfield Reinsurance Ltd. (“Brookfield Re”) and 47.68% of the beneficial interest in BAM Re Partners Trust and a 47.68% voting interest in its trustee, BAM Re Trustee Ltd.
9. Brian Kingston (“Mr. Kingston”) is an individual who directly and indirectly holds less than a 1% interest in the Brookfield Re Class A Shares and 19.9% of the beneficial interest in BAM Re Partners Trust and a 19.9% voting interest in its trustee, BAM Re Trustee Ltd.
10. Brookfield Re is an exempted company limited by shares formed under the laws of Bermuda. Brookfield Re directly owns 100% of BAM Re Holdings Ltd.
11. Partners FC II Ltd. is an exempted company formed under the laws of Bermuda. It is the sole shareholder of Partners FC Ltd. Mr. Flatt is the sole shareholder of Partners FC II Ltd.

12. Partners FC Ltd. is an exempted company formed under the laws of Bermuda. Partners FC Ltd. is the vehicle through which Mr. Flatt owns 47.68% of the beneficial interest in BAM Re Partners Trust and a 47.68% voting interest in its trustee, BAM Re Trustee Ltd.
13. Partners BK Ltd. is an exempted company formed under the laws of Bermuda. Mr. Kingston is the sole shareholder of Partners BK Ltd. Partners BK Ltd. is the vehicle through which Mr. Kingston owns a 19.9% of the beneficial interest in BAM Re Partners Trust and a 19.9% voting interest in its trustee, BAM Re Trustee Ltd.
14. BAM Re Trustee Ltd. is an exempted company formed under the laws of Bermuda. BAM Re Trustee Ltd. serves as the trustee of BAM Re Partners Trust.
15. BAM Re Partners Trust is a trust formed under the laws of Bermuda. BAM Re Partners Trust beneficially owns 100% of the class B limited voting shares of Brookfield Re (the “Brookfield Re Class B Shares”).
16. BAM Re Holdings Ltd. is an exempted holding company formed under the laws of Bermuda. It is a direct, wholly owned subsidiary of Brookfield Re. BAM Re Holdings Ltd. owns all of the equity interests of BAMR US Holdings (Bermuda) I Ltd.
17. BAMR US Holdings (Bermuda) I Ltd. is an exempted intermediate holding company formed under the laws of Bermuda. It is a direct, wholly owned subsidiary of BAM Re Holdings Ltd.
18. BAMR US Holdings, LLC is an intermediate limited liability holding company formed under the laws of the state of Delaware. It is a direct, wholly owned subsidiary of BAMR US Holdings (Bermuda) I Ltd.
19. BNRE Triangle Acquisition Inc. is an intermediate holding company formed under the laws of the state of Delaware. It is a direct, wholly owned subsidiary of BAMR US Holdings, LLC.
20. James “Bruce” Flatt, Brian Kingston, Brookfield Reinsurance Ltd., Partners FC II Ltd., Partners FC Ltd., Partners BK Ltd., BAM Re Trustee Ltd., BAM Re Partners Trust, BAM Re Holdings Ltd., BAMR US Holdings (Bermuda) I Ltd., BAMR US Holdings, LLC, and BNRE Triangle Acquisition Inc., together the “Applicants”.
21. A Disclaimer of Affiliation filing related to this Form A application was submitted to the Department on March 16, 2023. The Disclaimer application pertains to

- Brookfield Corporation, an Ontario (Canada) corporation (“Brookfield”); Brookfield Renewable Power Inc., an Ontario (Canada) corporation (“Brookfield Power”); BPG Holdings Group Inc., an Ontario (Canada) corporation (“BPG Holdings”); BAM Re (BIG) Holdings Inc., an Ontario (Canada) corporation (“BIG Holdings”); BAM Re (BPEG) Holdings Inc., an Ontario (Canada) corporation (“BPEG Holdings”); and BAM Re LTIP Holdings ULC, a British Columbia unlimited liability corporation (“LTIP Holdings”) (collectively this group is the “Brookfield Disclaiming Parties”). The Disclaimer is under separate review and approval of the Form A does not constitute approval or acceptance of the filing or of any transaction or agreements by the Applicants’ affiliates, or related parties which are either implicitly or explicitly disclosed in the Form A including exhibits.
22. A Form D Prior Notice of a Transaction filing related to this Form A was submitted to the Department on June 16, 2023. The Form D pertains to non-disapproval of proposed Investment Management Agreements between the Domestic Insurers and Brookfield Asset Management Insurance Advisor, LLC (the “Adviser”), pursuant to 40 P.S. § 991.1405(a)(2)(v). The Form D filing is under separate review and approval of the Form A does not constitute approval or acceptance of the filing or of any transaction or agreements by the Applicants’ affiliates, or related parties which are either implicitly or explicitly disclosed in the Form A including exhibits.

Acquisition Filing

23. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
24. On March 16, 2023, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from the Applicants for approval to acquire control of the Domestic Insurers.
25. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

26. On April 15, 2023, the Department published notice in the *Pennsylvania Bulletin* regarding the Application and the ability for any party to submit comments to the

Department regarding the Application for thirty days following the date of the publications (“Comment Period”).

27. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

28. As described in the Application, Argo Group has entered into an Agreement and Plan of Merger (the “Agreement”) with Brookfield Re and BNRE Bermuda Merger Sub Ltd. (“BNRE”).
29. As described in the Application and pursuant to the Agreement, BNRE will merge with and into Argo Group (the “Acquisition”).
30. As described in the Application, the proposed Acquisition is an all-cash transaction valued at approximately \$1.1 billion that will be funded from cash available to the Applicants. No debt is being incurred related to the Acquisition.
31. As described in the Application and subsequent to the Acquisition, Brookfield Re would indirectly control 100% of the issued and outstanding stock of the Domestic Insurers.
32. As described in the Application, Mr. Flatt and Mr. Kingston would become the ultimate controlling persons of the Domestic Insurers as a result of the Acquisition.

Standards for Review

33. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
34. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

Licensing Requirements

35. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.

36. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
37. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
38. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
39. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Rockwood is required to maintain a minimum paid up capital stock of \$2,000,000 and a minimum paid in surplus of \$1,000,000 to write the lines of insurance for which it is presently licensed.
40. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Somerset is required to maintain a minimum paid up capital stock of \$2,000,000 and a minimum paid in surplus of \$1,000,000 to write the lines of insurance for which it is presently licensed.
41. Upon completion of the Acquisition, the Domestic Insurers will have the statutory minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines of insurance for which they are presently licensed.

Competitive Impact

42. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of the Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).
43. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
44. The Applicants complied with the informational requirements of the Insurance Holding Companies Act by filing a pre-acquisition notification in the format required by Pennsylvania.

45. The Department's analysis of the applicable product and geographic markets, and the information submitted by Brookfield Re, indicate that the default product markets (annual statement lines of business) and the default geographic market (state-wide) under Section 1403(d)(2)(iii)(B) of the Insurance Holding Companies present no concern.
46. For all lines of business, the proposed Acquisition of control qualifies for the exemptions set forth in Section 1403(b)(2)(v)(A)-(C) of the Insurance Holding Companies Act.
47. Section 1403(d)(2)(iv) of the Insurance Holding Companies Act further provides that even if an acquisition is not prima facie violative of the competitive standard under Section 1403(d)(2)(i) or (ii) as described above, the requisite anti-competitive effect may be established based upon other substantial evidence. Relevant factors for making such determination include, but are not limited to, the following: market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry and ease of entry and exit into the market.
48. Based upon the information submitted by the Applicants, the Department has not found that there is evidence of anti-competitive effect.

Financial Condition of Applicant

49. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
50. The Department has reviewed the financial information submitted by the Applicants.
51. The financial condition of the Applicants was not found to pose impediment to the change in control nor jeopardize the financial condition of the Domestic Insurers.

Plans for the Acquired Insurer

52. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurers. In particular, the Department reviewed the plans or proposals of the acquiring party, none of which provide for liquidation of the insurers, or to sell their assets or consolidate or merge

- them with any person, or to make any other material changes in their business or corporate structure or management, which were determined to be Unfair or unreasonable; fail to confer a benefit upon policyholders; or Not in the public interest.
53. As stated in the Application, the Applicants have no future plans or proposals to liquidate the Domestic Insurers, to sell their assets, to merge or consolidate them with any person or persons or to change their corporate structure.
 54. According to the ongoing Financial Examination, Rockwood currently has approximately 83 employees of Argonaut Management Services, Inc. dedicated to its operations and Somerset has no employees of Argonaut Management Services, Inc. dedicated to its operations.
 55. As stated in the Application, all employees dedicated to Rockwood will remain dedicated to Rockwood as of the effective date of the Acquisition.
 56. As stated in the Application, the officers and directors of the Domestic Insurers will remain the officers and directors of Domestic Insurers as of the effective date of the Acquisition.
 57. There is no statement in the Application from which the Department concluded that the plans or proposals which the acquiring party has for the insurers are unfair or unreasonable or fail to confer a benefit upon policyholders or are not in the public interest.

Management

58. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
59. The Department reviewed the biographical affidavits of the individual Applicants and those for all directors and officers of each legal entity Applicant.
60. The Department review of the biographical affidavits submitted by the Applicants did not identify any matter of material concern regarding individuals providing oversight of the Domestic Insurers. The individuals have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

61. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
62. There is insufficient evidence in the record from which it may be concluded that the merger will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

63. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
64. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
65. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of the Domestic Insurers.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;

- c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of the Domestic Insurers.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
	:	Companies Act, Article XIV of the
Application of James “Bruce” Flatt,	:	Insurance Company Law of 1921, Act
Brian Kingston, Brookfield Reinsurance	:	of May 17, 1921, P. L. 682, <u>as</u>
Ltd, Partners FC II Ltd., Partners FC	:	<u>amended</u> , 40 P.S. §§991.1401,
Ltd., Partners BK Ltd., BAM Re Trustee	:	991.1402 and 991.1403
Ltd., BAM Re Partners Trust, BAM Re	:	
Holdings Ltd., BAMR US Holdings	:	
(Bermuda) I Ltd., BAMR US Holdings,	:	Order No. ID-RC-23-06
LLC, and BNRE Triangle Acquisition	:	
Inc.,		
in Support of the Request for Approval to		
Acquire Control of Rockwood		
Casualty Insurance Company and		
Somerset Casualty Insurance Company		

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of James “Bruce” Flatt, Brian Kingston, Brookfield Reinsurance Ltd., Partners FC II Ltd., Partners FC Ltd., Partners BK Ltd., BAM Re Trustee Ltd., BAM Re Partners Trust, BAM Re Holdings Ltd., BAMR US Holdings (Bermuda) I Ltd., BAMR US Holdings, LLC, and BNRE Triangle Acquisition Inc., (the “Applicants”) in support of the request for approval to acquire control of Rockwood Casualty Insurance Company and Somerset Casualty Insurance Company (together the “Domestic Insurers”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. The Applicants shall provide to the Department a list of closing documents within five (5) business days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For two (2) years following the effective date of the acquisition, the Domestic Insurers will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a

transaction between affiliates filed under the Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq.

3. For two (2) years following the effective date of the acquisition, the Domestic Insurers shall not voluntarily withdraw their certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania, without the prior written approval of the Department.
4. For two (2) years following the effective date of the acquisition, the Domestic Insurers shall not attempt to or actually redomesticate to another jurisdiction, without the prior written approval of the Department.
5. For a period of six (6) months after the effective date of the subject transaction, the Applicants shall not take affirmative action to reduce the number of employees of Domestic Insurers principally located in Pennsylvania, without application to and the prior written approval of the Department.
6. The Applicants will comply with, or where applicable, cause Domestic Insurers to comply with, Pennsylvania insurance law, including.
 - a. The comprehensive submission of complete Insurance Holding Companies Act filing requirements (*e.g.* Form B, Form C and Form D filings) for transactions between the Domestic Insurers and affiliates, unless specifically exempt, as required by the Insurance Holding Companies Act. No filing which discusses potential subcontracting with affiliates absent the identification, nature, scope, fee, and components of a Form D is considered to meet the standard prescribed by Pennsylvania insurance law for such subcontracting to proceed absent specific filing non-disapproval.
 - b. The filing of financial statements by the Ultimate Controlling Persons and Brookfield Re on an annual basis consistent with those filed in other states. The Form 20F of Brookfield Re shall be provided to the Department promptly following submission to the Securities and Exchange Commissioner on an on-going basis.
 - c. Disclosure of all affiliate transactions and consideration exchanged including but not limited to any and all commission, brokerage, custodian and related fees to affiliates associated with investment activities.

- d. Disclosure of any investment by the Domestic Insurers created, managed, or originated by any affiliate annually and more frequently as may be required.
7. The Applicants will file with the Department all material changes to the Investment Policy Statement (“IPS”) approved by the respective Board and any Derivative Usage Plan should the usage of derivatives be contemplated.
8. The Applicants will not engage in the loaning of any assets which are not fully collateralized at or equal to the reported value.
9. The Domestic Insurers will maintain reserves at or above the actuarial point estimate. The Domestic Insurers will submit to the Department, on a bi-annual basis and more frequently as may be required, independent legal entity reporting of asset liability matching (“ALM”), liquidity stress testing and cash flow testing. If deficiency is noted, the Company will meet with the Department to discuss remediation plan which may include asset class investment restriction caps for the Domestic Insurer
10. The Applicants will notify the Department of changes to ownership of Brookfield Re by which it may directly or indirectly own, control, hold the power to vote, or hold proxies representing more than 9.0% of the voting interests of Brookfield Re or the Domestic Insurers

This Order is effective immediately and valid for ninety (90) days, provided no material changes are made to the transaction prior to consummation. This ninety-day limitation does not apply to any conditions prescribed by the Department in the Order.



Michael Humphreys
Insurance Commissioner
Commonwealth of Pennsylvania