

STATE OF NORTH DAKOTA

BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Form A	)	<b>FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER APPROVING ACQUISITION OF CONTROL</b>
Application of Apollo Global Management, LLC and Leon Black, Joshua Harris, and Marc Rowan to Acquire Control of Aspen Specialty Insurance Company	)	
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	)	FILE NO. CO-18-776

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**INTRODUCTION**

On November 1, 2018, Apollo Global Management, LLC, a Delaware limited liability company (“AGM”), and each of Leon Black, Joshua Harris, and Marc Rowan (the “Individual Applicants” and together with AGM, the “Applicants”) formally filed with the North Dakota Insurance Department (the “Department”), a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer (the “Form A”). The Form A concerned the Applicants’ proposed acquisition of Aspen Specialty Insurance Company (the “Insurer”) and was submitted pursuant to N.D.C.C. Ch. 26.1-10.

In connection with the Form A, the Applicants submitted an Agreement and Plan of Merger (the “Merger Agreement”), by and among Aspen Insurance Holdings Limited, a Bermuda insurance holding company whose securities are traded on the New York Stock Exchange (“Aspen Holdings”), Highlands Holdings, Ltd., a Bermuda exempted company (“Parent”), and Highlands Merger Sub, Ltd., a Bermuda exempted company and wholly owned subsidiary of Parent (“Merger Sub”), dated as of August 27, 2018. Pre- and post-transaction organizational charts, biographical affidavits for the directors and executive officers of AGM, including the Individual Applicants, financing documents related to the transaction, financial

statements of the Applicants, and two years of annual reports by the Insurer to its policyholders were attached as exhibits to the Form A.

On November 5, 2018, a public notice was issued by North Dakota Insurance Commissioner Jon Godfread (the "Commissioner") setting a public hearing concerning the transaction for November 27, 2018 as provided in N.D.C.C. § 26.1-10-03(4). Notice of the public hearing was provided by the Applicants to Insurer as provided in N.D.C.C. § 26.1-10-03(4)(b).

The public hearing regarding the proposed transaction was held before the Commissioner at 9:00 a.m., November 27, 2018, in the Fort Lincoln Room, at the State Capitol building in Bismarck, North Dakota. The Applicants appeared through their counsel, Jeffrey Thomas of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. and provided both pre-filed and oral testimony from Michael Saffer, an Associate at AGM. The Insurer participated via teleconference through Leah Berger, Vice President and Associate General Counsel for Aspen Insurance. The local associate lawyer for Applicants, Zachary E. Pelham, an attorney at Pearce Durick PLLC, was in attendance. The Department appeared through Sara Gerving and Laney Herauf, attorneys for the Department, and provided oral testimony from Matt Fischer, Financial Analyst for the Department.

Through the public notice of hearing that was issued, the general public was invited to make comments concerning the proposed transaction. The public was also invited to make comments concerning the proposed acquisition during the hearing. No members of the general public came forward at any time during the hearing to submit comments regarding the proposed transaction.

The matter of the acquisition of control of Insurer by the Applicants has been considered by the Department based upon the Form A, the pre-filed written testimony received into evidence at the hearing as Exhibit 4, oral testimony submitted in connection with the hearing, and other documents filed with the Commissioner and made a part of the record.

After considering and reviewing all the documents, instruments, testimony, and materials filed or submitted in this matter, the Commissioner makes the following Findings of Fact, Conclusions of Law, and Order.

### **FINDINGS OF FACT**

#### **A. Applicants' Background and Significant Affiliates**

1. AGM is a Delaware limited liability company, whose securities are traded on the New York Stock Exchange. AGM along with its subsidiaries and affiliates (collectively, "Apollo") is one of the world's largest alternative investment managers and manages capital for hundreds of fund investors in dozens of countries, including some of the most sophisticated institutional allocators of capital. Pension funds, sovereign wealth funds, university endowments, charitable foundations, financial institutions, and family offices alike rely on Apollo to deliver differentiated long-term investment performance.

2. The Individual Applicants co-founded Apollo in 1990 and serve in the following capacities for AGM: Leon Black is the Chairman of the Board of Directors and Chief Executive Officer; Joshua Harris is a Senior Managing Director and a Director; and Marc Rowan is a Senior Managing Director and a Director.

3. AGM is managed, operated, and controlled by BRH Holdings GP, Ltd., a Cayman Islands company ("BRH"), and AGM Management, LLC, a Delaware limited liability company ("AGM Management"). BRH owns (i) 52.4% of AGM's voting power (as of June 30, 2018) and

(ii) 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.

4. AGM owns several affiliates which are detailed in the organizational charts provided with the Form A filing.

**B. Insurer's Background and Significant Affiliates**

1. The Insurer is a North Dakota-domiciled property and casualty insurer. Aspen American Insurance Company ("Aspen American"), a Texas-domiciled insurance company, directly owns 100% of the issued and outstanding voting stock of Insurer. Aspen American is directly owned 100% by Aspen U.S. Holdings, Inc.

2. The Insurer is an indirect, wholly owned subsidiary of Aspen Holdings.

3. Through the proposed Merger Agreement, Aspen American is also being acquired and a corresponding Form A has been filed in the State of Texas.

**C. Form A Filing and Related Procedural History**

4. On November 1, 2018, AGM, by and through their Chief Legal Officer, John Suydam, and the Individual Applicants filed the Form A regarding the proposed transaction with the Commissioner pursuant to N.D.C.C. § 26.1-10-03. The Form A provides the entire and complete information required by N.D.C.C. § 26.1-10-03. On November 5, 2018, a public notice was issued by the Commissioner to set a public hearing concerning the transaction on November 27, 2018 as provided in N.D.C.C. § 26.1-10-03(4). Notice of the public hearing was provided by the Applicants to Insurer. The public hearing regarding the proposed transaction was held before the Commissioner at 9:00 a.m. on November 27, 2018 in the Fort Lincoln Room

at the State Capitol building in Bismarck, North Dakota. The Commissioner closed the record following completion of the public hearing.

**D. Proposed Transaction**

1. Subject to approval from the applicable regulatory authorities, Merger Sub intends to merge with and into Aspen Holdings with Aspen Holdings continuing as the surviving company.

2. Aspen Holdings will become a wholly owned subsidiary of Parent and the Applicants, by virtue of their control of Parent, will acquire ultimate control of Insurer.

**E. Requirements for Issuance of a Certificate of Authority**

1. The transaction will not negatively affect Insurer's level of capital and surplus. Following the acquisition, Insurer will have the same management who will hold the same positions as they held prior to the acquisition.

2. Following the acquisition, Insurer's policies and procedures for complying with applicable laws will be the same as they were prior to the acquisition. Accordingly, following the acquisition, Insurer will still satisfy the requirements for issuance of a certificate of authority to write the lines of insurance for which it is presently licensed.

**F. Competition in Insurance and Impact on Insurance Buying Public**

1. Apollo's insurance subsidiaries and affiliates and Insurer do not share significant market overlap in any line of insurance in the State of North Dakota.

2. The market shares of Apollo's insurance subsidiaries and affiliates and Insurer are below the statutory thresholds set forth in N.D.C.C. § 26.1-10-03.1(4) for establishing prima facie evidence of a violation of competitive standards.

3. Pursuant to N.D.C.C. § 26.1-10-03.1(4)(b)(1), the transaction does not have prima facie evidence that the change of control would substantially lessen competition in the surplus insurance market in North Dakota. Consequently, the effect of the acquisition by the Applicants will not tend to substantially lessen competition or tend to create a monopoly in any line of insurance in North Dakota.

4. Testimony from Michael Saffer during the hearing established that Apollo does not have any plans to make any material changes to the Aspen policies currently issued to policyholders.

**G. Applicants' Financial Status**

1. Applicants submitted all requested financial statements, organizational charts, and biographical affidavits for their directors and executive officers with the Form A.

2. The financial condition of Applicants is such that the financial condition of Insurer would not be jeopardized by the acquisition. Furthermore, the acquisition will not prejudice the interests of Insurer's policyholders.

**H. Plans and Proposals for the Domestic Insurer**

1. Following the closing of the transaction, Insurer will continue to maintain its separate corporate existence and substantially continue its operations as currently conducted.

2. Applicants have no plans or proposals to liquidate Insurer, to sell its assets, to merge or cause it to consolidate with any person or persons, or to make any other material change in its business operations, corporate structure, or management.

**I. AGM's Management**

1. AGM is managed by professionals who have demonstrated competence, experience, and integrity in insurance operations. AGM's current management is not expected to change as a result of the Department's approval of the Form A.

2. AGM's directors and Individual Applicants possess significant corporate and commercial experience. The competence, experience, and integrity of the directors and Individual Applicants is such that it would not be against the interests of the policyholders of Insurer or against the interests of the general public if AGM was permitted to acquire control of Insurer.

**J. Effect of the Acquisition on the Insurance Buying Public**

1. The Insurer will be managed substantially consistent with the way it is currently managed and, given the experience and financial strength of the Applicants, the acquisition will not be hazardous or prejudicial to the insurance buying public.

**K. Department's Recommendation**

1. Matt Fischer, Financial Analyst with the Department, reviewed the Form A and all of the corresponding exhibits.

2. Mr. Fischer, on behalf of the Department, testified that he considered the criteria outlined in N.D.C.C. § 26.1-10-03(4)(a) through (f) and concluded that: (i) following the acquisition, Insurer would still satisfy the current capital and surplus requirements under North Dakota law for issuance of a certificate of authority to write the lines of insurance for which it is presently licensed; (ii) the proposed acquisition would not have the effect of substantially lessening competition in insurance in North Dakota or tend to create a monopoly; (iii) the financial condition of the Applicants will not jeopardize the financial stability of Insurer or

prejudice the interests of Insurer's policyholders, and in fact would strengthen the financial position of Insurer and the interests of Insurer's policyholders by providing access to the strong capital base of the Applicants; (iv) there was no evidence of any plans by the Applicants to liquidate Insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the business or corporate structure or management of Insurer; (v) the evidence suggested that the competence, experience and integrity of the directors, officers and management of the Applicants are such that it will be in the interests of Insurer's policyholders and of the public to permit the acquisition to occur; and (vi) there is no evidence that the acquisition is likely to be hazardous or prejudicial to the insurance buying public.

#### **CONCLUSIONS OF LAW**

1. The Commissioner has jurisdiction over the proposed acquisition pursuant to N.D.C.C. ch. 26.1-10.

2. The Form A and its exhibits meet all of the filing requirements provided pursuant to N.D.C.C. § 26.1-10-03.

3. The Applicants have met the procedural requirements of N.D.C.C. ch. 26.1-10 with regard to seeking and receiving approval of the proposed acquisition of control of a domestic insurance company.

4. The hearing in this matter was duly noticed and conducted pursuant to the requirements of N.D.C.C. § 26.1-10-03(4) and an order approving or disapproving the proposed acquisition may be issued based upon the Form A filed with the Commissioner by the Applicants.

5. The Commissioner shall approve an acquisition of control governed by N.D.C.C. § 26.1-10-03 unless the Commissioner finds that:



- a. After the change of control, the domestic insurance company would not be able to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it is presently licensed.
- b. The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance or tend to create a monopoly in North Dakota.
- c. The financial condition of any acquiring party might jeopardize the financial stability of the insurance company or prejudice the interest of its policyholders.
- d. The plans or proposals which the acquiring party has to liquidate the insurance company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the company and not in the public interest.
- e. The competence, experience, and integrity of those persons who would control the operation of the insurance company are such that it would not be in the interest of policyholders of the company and of the public to permit the merger or other acquisition of control.
- f. The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

6. The proposed acquisition of control of North Dakota domestic insurer Aspen Specialty Insurance Company constitutes a change of control under the provisions of N.D.C.C. ch. 26.1-10 and is subject to prior approval of the Commissioner.

7. Based on the Findings of Fact, the evidence does not suggest that any of the events or conditions listed in N.D.C.C. § 26.1-10-03(4) would occur or exist after the acquisition of control; therefore, the evidence does not form a basis upon which the proposed acquisition of Aspen Specialty Insurance Company by the Applicants should be denied.

8. Considering the entirety of the evidence contained in the record, it is appropriate to approve the transaction.

NOW, THEREFORE, based upon the representations and sworn testimony of the parties and the above Findings of Fact and Conclusions of Law, the Commissioner enters an Order as follows:

**ORDER**

The proposed acquisition of Aspen Specialty Insurance Company by Apollo Global Management, LLC and Leon Black, Joshua Harris, and Marc Rowan in accordance with the provisions of the Form A Statement Regarding the Acquisition of Control of a Domestic Insurer filed with the North Dakota Insurance Department is **HEREBY APPROVED**.

The Commissioner will retain jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

Dated this 4<sup>th</sup> day of December, 2018.

  
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