

FILED

AUG 08 2023

**BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA**

**INSURANCE COMMISSIONER
OKLAHOMA**

IN RE: APPLICATION OF NATIONAL LEGACY)
INSURANCE COMPANY FOR APPROVAL OF IBT)
PLAN and AUTHORIZATION TO SEEK COURT)
APPROVAL FOR TRANSFER OF POLICIES FROM)
THE HANOVER INSURANCE COMPANY TO)
NATIONAL LEGACY INSURANCE COMPANY)
)
)

Case No. 22-0004-IBT

ORDER

COMES NOW the State of Oklahoma, ex rel. Glen Mulready, Insurance Commissioner, and issues this Order based upon the following findings and conclusions of law, to-wit:

JURISDICTION

Glen Mulready is the Insurance Commissioner (“Commissioner”) of the State of Oklahoma and as such is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq., including the Insurance Business Transfer Act (“IBT Act”) 36 O.S. §§1681 – 1688.

INTRODUCTION

The IBT Act provides a basis and procedure for the transfer and statutory novation of policies from a transferring insurer to an assuming insurer without the affirmative consent of policyholders or reinsureds. An applicant (an assuming insurer, a transferring insurer, or reinsurer) is required to file an Insurance Business Transfer Plan with the Commissioner which contains information prescribed by 36 O.S. §1686. The Commissioner has reviewed the Plan with the assistance of an appointed independent expert and determined that the Plan would not have a material adverse impact on the interests of policyholders, reinsurers, or claimants that are part of the subject business. For purposes of this review, any adverse impact is deemed to be material if the level of financial security post-IBT would not have been acceptable under the normal constraints with which the company was managed pre-IBT.



FINDINGS OF FACT

1. National Legacy Insurance Company (“Applicant” or “Assuming Insurer”) filed an application with the Oklahoma Insurance Department on June 16, 2023, requesting that the Commissioner review Applicant’s Insurance Business Transfer Plan (“Plan”) to assume liabilities, obligations and continued expenses within the ECRA pool from The Hanover Insurance Company (“Transferring Insurer”) and seek statutory novation of those policies pursuant to an order from a district court of a county in Oklahoma with a population of more than two hundred fifty thousand (250,000).

2. The Plan includes the elements required by 36 O.S. §1686(1), including:
- a. the name, address and telephone number of the transferring insurer and the assuming insurer and their respective direct and indirect controlling persons, if any;
 - b. summary of the Insurance Business Transfer Plan;
 - c. identification and description of the subject business;
 - d. the most recent audited financial statements and statutory annual and quarterly reports of the transferring insurer filed with their domiciliary regulator;
 - e. the most recent actuarial report and opinion that quantify the liabilities associated with the subject business;
 - f. pro-forma financial statements showing the projected statutory balance sheet, results of operations and cash flows of the assuming insurer for the three (3) years following the proposed transfer and novation;
 - g. officers’ certificates of the transferring insurer and the assuming insurer attesting that each has obtained all required internal approvals and authorizations regarding the Insurance Business Transfer Plan and completed all necessary and appropriate actions relating thereto;
 - h. proposal for Plan implementation and administration;
 - i. form of notice to be provided under the Insurance Business Transfer Plan to any policyholder whose policy is part of the subject business including full description as to how such notice shall be provided;
 - j. description of any reinsurance arrangements that will pass to the assuming insurer under the Insurance Business Transfer Plan;

- k. description of any guarantees or additional reinsurance that will cover the subject business following the transfer and novation;
- l. a statement describing the assuming insurer's proposed investment policies and any contemplated third-party claims management and administration arrangements;
- m. evidence of approval or nonobjection of the transfer from the chief insurance regulator of the state of the transferring insurer's domicile.

3. The Plan also includes an opinion from an independent expert selected by the Commissioner pursuant to 36 O.S. §1683(8). The independent expert's opinion report includes the elements required by 36 O.S. §1686(A)(1)(n):

- a. a statement of the independent expert's professional qualifications and descriptions of the experience that qualifies him or her as an expert suitable for the engagement;
- b. whether the independent expert has, or has had, direct or indirect interest in the transferring or assuming insurer or any of their respective affiliates;
- c. the scope of the report;
- d. a summary of the terms of the Insurance Business Transfer Plan to the extent relevant to the report;
- e. a listing and summaries of documents, reports and other material information the independent expert has considered in preparing the report and whether any information requested was not provided;
- f. the extent to which the independent expert has relied on information provided by and the judgment of others;
- g. the people upon whom the independent expert has relied and why, in his or her opinion, such reliance is reasonable;
- h. the independent expert's opinion of the likely effects of the Insurance Business Transfer Plan on policyholders, reinsurers, and claimants, distinguishing between:
 - i. transferring policyholders, reinsurers, and claimants,
 - ii. policyholders, reinsurers, and claimants of the transferring insurer whose policies will not be transferred, and
 - iii. policyholders, reinsurers, and claimants of the assuming insurer,
- i. for each opinion that the independent expert expresses in the report the facts and circumstances supporting the opinion, and

- j. consideration as to whether the security position of policyholders that are affected by the Insurance Business Transfer are materially adversely affected by the transfer.

4. The independent expert's opinion report also reviewed the elements required by 36 O.S.

§1686(A)(2), as follows:

- a. analysis of the transferring insurer's actuarial review of reserves for the subject business to determine the reserve adequacy;
- b. analysis of the financial condition of the transferring insurer and assuming insurer and the effect the Insurance Business Transfer will have on the financial condition of each insurance company;
- c. review of the plans or proposals the assuming insurer has with respect to the administration of the policies subject to the plan;
- d. whether the proposed transfer has a material adverse effect on the policyholders, reinsurers, and claimants of the transferring and the assuming insurers;
- e. analysis of the assuming insurer's corporate governance structure to ensure proper board and management oversight and expertise to manage the subject business.

5. The Application and the independent expert's opinion report were reviewed by the Commissioner and appropriate staff at the Oklahoma Insurance Department.

6. The Applicant has paid or agreed to pay all fees and costs related to these proceedings, as required by 36 O.S. §1688.

7. On June 8, 2023, the Director of Financial Regulation for the New Hampshire Insurance Department, The Hanover Insurance Company's state of domicile, issued a letter indicating its non-objection to this IBT, as required by 36 O.S. §1686(A)(1)(m).

CONCLUSIONS OF LAW

The Commissioner has reviewed the Plan with the assistance of an appointed independent expert and determined that the Plan meets the criteria for approval and if implemented, would not have a material adverse impact on the interests of policyholders, reinsurers, or claimants that are part of the subject business.

ORDER

IT IS THEREFORE ORDERED, by the Insurance Commissioner that the Plan is hereby approved, and the Applicant is authorized to submit the subject Insurance Business Transfer Plan to the district court of a county in Oklahoma with a population of more than two hundred fifty thousand (250,000) and request that the Court approve the Plan, including novation of the subject policies.

WITNESS My Hand and Official Seal this 8 day of August 2023.



A handwritten signature in blue ink, appearing to read "Glen Mulready".

THE HONORABLE GLEN MULREADY
Insurance Commissioner

CERTIFICATE OF MAILING

I, Antuanya "Bo" DeBose, hereby certify that a true and correct copy of the above foregoing *Order* was mailed via certified mail, with postage prepaid and return receipt requested, and electronic mail on this 15 day of April, 2023, to:

The Hanover Insurance Company
440 Lincoln Street, N435
Worcester, MA 01653

CERTIFIED MAIL NO.
7017 1070 0001 1036 7937

National Legacy Insurance Company
Two Logan Square, Suite 600
Philadelphia, PA 19103

CERTIFIED MAIL NO.
7017 1070 0001 1036 7982

and a copy was delivered to:

Financial Division



Antuanya "Bo" DeBose
Assistant General Counsel