

FINAL ORDER

EFFECTIVE: 10-22-12

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed)	
Acquisition of Control of)	
HOMESITE INDEMNITY COMPANY)	Docket No. 3786-ACQ
NAIC #20419)	
)	
By)	
)	
ALLEGHANY INSURANCE HOLDINGS LLC)	

AMENDED ORDER

NOW on this 4th day of October, 2012, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28 in the form of a Form A Statement Regarding the Proposed Acquisition of Control ("Form A Statement") by Alleghany Insurance Holdings LLC ("Applicant"). The Form A Statement relates to the proposed acquisition of control of Homesite Indemnity Company (Homesite), a Kansas domestic insurance company and subsidiary of Homesite Group Incorporated, by the Applicant.

This Amended Order shall become effective as a Final Amended Order, without further notice, upon the expiration of the fifteen (15) day period if no request for hearing is made, pursuant to K.S.A. 77-542.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, *et seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law, and orders:

DECLARATIONS OF PUBLIC INTEREST AND POLICY

The Commissioner finds and declares that it is consistent with the public interest and the interest of policyholders to permit insurers to:

- (a) engage in activities which would enable insurers to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition and/or organization of subsidiaries;
- (c) have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) implement sound tax-planning conclusions; and
- (e) serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further finds and declares that the policies and purposes in K.S.A. 40-3301, *et seq.*, promote the public interest by:

- (a) facilitating the achievement of the objectives enumerated in K.S.A. 40-3301 and set above;
- (b) requiring disclosure of pertinent information relating to changes in control of an insurer;
- (c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and
- (d) providing standards governing material transactions between an insurer and its affiliates.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The findings and conclusions stated herein are based upon the statements made by Applicant in the Form A Statement and accompanying documents made under oath and filed with KID by Applicant pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of KID, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. 77-546(c).

2. The purpose of the filing of the Form A Statement is to seek authority from KID for the proposed acquisition of control of Homesite by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed with the Commissioner dated November 9, 2007, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.*

3. Applicant submitted various Exhibits to the Form A Statement, including, but not limited to, the Stock Purchase Agreement by and between Homesite Group Incorporated and Applicant dated December 5, 2006; organizational charts, financial statements, and other related agreements.

4. The staff of KID have inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and found that the filing of the Form A Statement and Exhibits are in accordance with K.S.A. 40-3304 and K.A.R. 40-1-28 and that the Form A Statement and Exhibits have provided the information required under Kansas statutes to enable the Commissioner to render a decision on the application.

5. Homesite Indemnity Company, a Kansas property and casualty company, was organized under the laws of Kansas on July 14, 1948 and was admitted to Kansas on February 14, 1949.

6. Homesite is a wholly owned subsidiary of Homesite Group Incorporated.
7. Applicant, a Delaware limited liability company, is a wholly owned subsidiary of Alleghany Corporation, a publicly traded company that is listed on the New York Stock Exchange.
8. On or about January 17, 2005 Morgan Stanley Capital Partners III, L.P., HOC Investors, L.P., and The Plymouth Rock Company Incorporated filed formal Disclaimers of Affiliation or Control in regard to Homesite Group Incorporated with the Kansas Insurance Department ("KID") for review and approval. Following a request by KID for additional information regarding the Disclaimers the parties submitted revised Disclaimers of Affiliation or Control on or about May 24, 2005. The revised Disclaimers were approved by KID on June 21, 2005.
9. Homesite Group Incorporated, Applicant, and for the purpose of joining in Section 6.2 only, but not otherwise, James M. Stone, The Plymouth Rock Company Incorporated, Morgan Stanley Capital Partners III L.P., MSCP 111 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., and HOC Investors, L.P. entered into a Stock Purchase Agreement, dated December 5, 2006, contemplating the issuance and sale by Homesite Group Incorporated to Applicant an aggregate of 85,714 shares ("the shares"), par value \$0.01 per share, for an aggregate purchase price equal to \$119,999,600 of common stock of Homesite Group Incorporated, which upon completion of the transaction would represent approximately 32.9% of the issued and outstanding shares of common stock of Homesite Group Incorporated.
10. Under the terms of the Stock Purchase Agreement, Applicant did not have any right to become a party to the Shareholders Agreement, dated February 27, 2004, nor did Applicant have any of the rights and benefits, including the right to representation on the board

of directors, provided by the Shareholders Agreement, which was set to expire on October 31, 2007.

11. On December 7, 2006, Applicant requested an order exempting Applicant from the filing and approval requirements of K.S.A. 40-3304(a). On December 28, 2006, the KID issued an order, Docket No. 3609-EX, approving the exemption.

12. On November 9, 2007, Applicant filed a certified copy of Form A Statement with exhibits Regarding the Proposed Acquisition of Control ("Form A Statement") by Applicant to become a controlling party of Homesite upon the expiration of the Shareholders Agreement.

13. On October 19, 2007, the Shareholders Agreement was extended to December 14, 2007.

14. On or about November 21, 2007, the Shareholders Agreement was further extended to June 2, 2008 or the date on which any required applications for change of control have been approved by the relevant regulatory jurisdictions.

15. On December 29, 2006, Homesite and Applicant completed the purchase of the shares and as a result, Applicant owns approximately 32.9% of the 260,538.74 shares of common stock of Homesite.

16. Review of the evidence establishes that after the acquisition of control as proposed in the Form A Statement, Applicant will be able to satisfy the requirements necessary for maintaining the business of Homesite to the satisfaction of any policyholders.

17. The evidence establishes that, after the acquisition of control as proposed in the Form A Statement, Homesite will be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed.

18. No evidence has been introduced to establish that the financial condition of Applicant will jeopardize the financial stability of Homesite or prejudice the interests of any policyholders.

19. Evidence has been introduced which shows that Applicant has no plans or proposals to liquidate Homesite, 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 which would be unfair and unreasonable to the policyholders of Homesite and not be in the public interest.

20. Evidence has been introduced to establish that the competence, experience and integrity of those persons who will control the operations of the Homesite after the acquisition are such that it will be in the interests of the policyholders of Homesite and of the public interest to permit the acquisition.

21. Evidence has been introduced to establish that Applicant's acquisition of Homesite will not be hazardous or prejudicial to the insurance-buying public.

22. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.* and K.A.R. 40-1-28.

25. The evidence submitted supports approval of the proposed acquisition of control of Homesite by the Applicant, subject to certain conditions and requirements and effective as of the date of the original order, February 28, 2008.

26. At the time of the Applicant's submission of the Form Statement evidence supported the conclusion that the Applicant was the Ultimate Controlling Person(s) of Homesite.

27. On July 30, 2012, Homesite informed KID that during the course of a multi-state financial examination it had been determined by the regulatory authorities conducting such examination that Alleghany Corporation is the Ultimate Controlling Person(s) of Homesite.

28. In connection with such determination by the regulatory authorities, on August 13, 2012, Homesite submitted an amended Form B reflecting Alleghany Corporation as the Ultimate Controlling Person(s).

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE
THAT:**

1. The application by Applicant to acquire control of Homesite Indemnity Company, a subsidiary of Homesite Group Incorporated, in the manner set forth in the Form A Statement and Exhibits attached thereto was approved pursuant to K.S.A. 40-3304, and subject to notice of either the expiration of the existing Shareholders Agreement or the signing of a new Shareholders Agreement.

2. The Ultimate Controlling Person is Alleghany Corporation.

3. The Commissioner of Insurance retains 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.

**IT IS SO ORDERED THIS 4th DAY OF OCTOBER, 2012, IN THE CITY OF TOPEKA,
COUNTY OF SHAWNEE, STATE OF KANSAS.**



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

BY:

/s/ Zachary J.C. Anshutz
Zachary J.C. Anshutz
General Counsel

NOTICE OF RIGHTS

Alleghany Corporation is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Alleghany Corporation desires a hearing, the company must file a written request for a hearing with:

Zachary J.C. Anshutz, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If Alleghany Corporation requests a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing before the commencement of the same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event that Alleghany Corporation files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

Zachary J.C. Anshutz, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

CERTIFICATE OF SERVICE

The undersigned hereby certifies that they served the above and foregoing Order and Notice of Rights on this 4th day of October 2012, by causing the same to be deposited in the United States Mail, registered mail with return-receipt requested postage prepaid, addressed to the following:

Susan Gormly Anderson
Homesite Indemnity Company
99 Bedford St.
Boston, MA 02111-2221

Christopher K. Dalrymple
General Counsel
Alleghany Corporation
Alleghany Insurance Holdings LLC
7 Times Square Tower, 17th Floor
New York, NY 10036

Anthony M. Scavongelli, Esq.
Vice President and General Counsel
Homesite Group Incorporated
99 Bedford St.
Boston, MA 02111

_ /s/ Jennifer R. Sourk _____
Jennifer R. Sourk
Staff Attorney