

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

In the Matter of the Proposed)
Acquisition of Control of)
)
HOMSITE INDEMNITY COMPANY)
)
By:)
)
AMERICAN FAMILY MUTUAL)
INSURANCE COMPANY)
and)
AMFAM, INC.)

Docket No. 4620-ACQ

ORDER OF ACQUISITION

Now on this 23rd day of December, 2013, the above matter comes before the Commissioner of Insurance of the State of Kansas (“Commissioner”) 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 an Amended and Restated Form A Statement Regarding the Acquisition of Control of a Domestic Insurer (“Form A Statement”) by American Family Mutual Insurance Company (“AFMIC”), a Wisconsin mutual insurance company, and by AmFam, Inc. (“AmFam”), a Wisconsin business corporation (collectively referred to as “Applicants”). The Form A Statement relates to the proposed acquisition of control of Homesite Indemnity Company (“HIC”), a Kansas stock insurance company.

Applicants are represented by their attorneys, David C. Holman, Chief Legal Officer of AFMIC, and Foley & Lardner LLP. HIC is represented by Anthony Scavongelli, General Counsel of Homesite Group, Inc. The Kansas Insurance Department (“Department”) is represented by John Wine, General Counsel, and by Kris Kellim, Staff Attorney. Also appearing for the Department are Kenneth Abitz, Director

of the Financial Surveillance Division, and Mark Owens, Principal Financial Analyst.

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:

DECLARATION 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 them to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition 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 out 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 the insurer and its affiliates.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The findings of fact and conclusions stated herein are based upon the statements made by Applicants in the Form A Statement and accompanying documents made under oath and filed with the Department by Applicants, 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 the Department, and the Commissioner has had the benefit of their technical expertise and advice.

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

3. The Form A Statement filed with the Department by Applicants includes an Amended and Restated Form A Statement Regarding the Acquisition of Control of a

Domestic Insurer dated December 19, 2013, requesting approval of the acquisition of control of HIC.

4. HIC is a Kansas corporation and its administrative offices are in Boston, MA. Homesite Group, Inc. directly owns 100% of the stock of HIC.

5. AFMIC is a Wisconsin mutual insurance company and is acting through its wholly-owned intermediate holding company, AmFam.

6. On September 4, 2013, AmFam and Homesite Group, Inc. executed an Agreement and Plan of Merger (“Merger Agreement”). The Merger Agreement provides for the transaction to close following, among other things, the approval of HIC’s stockholders and the proper regulatory approval of each state where approval is necessary.

7. As consideration for the Merger, and subject to the terms and conditions of the Merger Agreement, the Applicants will pay to the current holders of Common Stock, Options and Restricted Stock Units (collectively, the "Sellers") cash in the amount of Six Hundred Sixteen Million Dollars (\$616,000,000), subject to certain merger consideration adjustments and the additional closing terms of the Merger Agreement.

8. The staff of the Department 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 are in compliance with the provisions of K.S.A. 40-3301, *et seq.* 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.

9. Evidence shows that after the change of control, HIC would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed.

10. Evidence shows that the financial condition of Applicants does not jeopardize the financial stability of the HIC or prejudice the interest of their respective policyholders.

11. Evidence shows Applicants have no current plans or proposals to liquidate HIC, sell its assets or consolidate or merge HIC with any person, or to make any other material change in HIC's current active business operations or corporate structure or management.

12. Evidence shows the competence, experience and integrity of those persons who would control the operation of HIC are such that it would be in the interest of policyholders of the insurer and of the public to permit the acquisition of control.

13. Evidence shows that the acquisition is not likely to be hazardous or prejudicial to the insurance-buying public.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The application by Applicants to acquire control of HIC in the manner set forth in the Form A Statement Regarding Acquisition of Control and Exhibits attached thereto is hereby approved pursuant to K.S.A. 40-3304, provided that the acquisition is effected within 90 days of the date of this Order.

2. The Commissioner 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.

NOTICE OF RIGHTS

This Final Order is effective upon service. Pursuant to K.S.A. 77-529, Applicants may petition the Commissioner for reconsideration of this Final Order within fifteen (15) days after service of the Final Order. A petition for reconsideration must state the specific grounds upon which relief is requested. Additionally, a party to this agency proceeding may seek judicial review of this Final Order by filing a petition in the District Court, pursuant to K.S.A. 77-601, *et seq.* Reconsideration of this Final Order is not a prerequisite for judicial review. A petition for judicial review is not timely unless filed within 30 days following the service of this Final Order, unless Applicants petition the Commissioner for reconsideration, in which case a petition for judicial review is not timely unless filed within 30 days following service of an order rendered upon reconsideration, or an order denying the request for reconsideration. In the event Applicants file a petition for judicial review, the agency officer to be served on behalf of the Department is:

John Wine, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612.

IT IS SO ORDERED THIS 23rd DAY OF DECEMBER, 2013, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

/s/ John Wine
John Wine
General Counsel

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 24th day of December, 2013 to:

David C. Holman
Chief Legal Officer
American Family Mutual Insurance Company
6000 American Parkway
Madison, Wisconsin 53783

Thomas R. Hrdlick
Foley & Lardner LLP
777 E. Wisconsin Ave.
Milwaukee, WI 53202

Anthony Scavongelli
General Counsel
Homesite Group, Inc.
One Federal Street, 4th Floor
Boston, MA 02110

/s/ Kris Kellim _____
Kris Kellim
Staff Attorney