

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

In the Matter of the Proposed)
Acquisition of Control of)
)
BENCHMARK INSURANCE COMPANY)
)
)
NAIC No. 41394)
)
)
by:)
)
TREAN INSURANCE GROUP, INC.)
)

Docket No. 84004

ORDER

Now on this 15th day of June 2020, the above matter comes before the Commissioner of Insurance of the State of Kansas (the “Commissioner”) upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28¹ in the form of a “Form A” Statement Regarding the Acquisition of Control of a Domestic Insurer dated June 9, 2020 (“Form A Statement”) by Trean Insurance Group, Inc. (the “Applicant”). The Form A Statement relates to the proposed acquisition of control of Benchmark Insurance Company (“Benchmark”) a Kansas domestic insurance company, by the Applicant.

Pursuant to the authority granted to the Commissioner by 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 the following:

¹ K.A.R. 40-1-28 incorporates the Kansas Insurance Department's “policy and procedure providing insurance holding company system reporting forms and instructions”, dated December 10, 2014.

DECLARATION OF PUBLIC INTEREST AND POLICY

The Commissioner has the general supervision, control and regulation of corporations, companies, associations, societies, exchanges, partnerships, or persons authorized to transact the business of insurance, indemnity or suretyship in this state. The following statements of fact and conclusions of law are made with the intent to promote the policies and objectives enumerated in K.S.A. 40-3301.

FINDINGS OF FACT

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

1. Background Information

- a. The purpose of the filing of the Form A Statement is to seek authority from the Commissioner for the proposed acquisition of control of a domestic insurer, Benchmark, by the Applicant. The Form A Statement filed by the Applicant with the Commissioner more fully sets out the terms and conditions of the proposed acquisition, pursuant to the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.*
- b. Representatives of the Financial Surveillance and Legal Divisions of the Department reviewed significant documents, and the Commissioner has had the benefit of her staff’s technical expertise and advice.

- c. In the Form A Statement, which the Applicant filed with the Department and the Department received on June 9, 2020, the Applicant requests approval of the acquisition of control of Benchmark.
- d. The Applicant submitted various exhibits to the Form A Statement, including, without limitation, an audited financial statement for the Applicant, executed personal financial statements for specific individuals, three-year financial projections for Benchmark, organizational charts, and NAIC biographical affidavits.
- e. Benchmark is domiciled in Kansas, with its statutory home office address in Topeka, Kansas. Benchmark is a wholly-owned subsidiary of Benchmark Holding Company, a Minnesota corporation and an indirect wholly-owned subsidiary of Altaris Partners, LLC (“Altaris Partners”), a limited liability company domiciled in Delaware. Andrew M. O’Brien of Long Lake, MN is the current ultimate controlling person of Benchmark.
- f. The Applicant is part of a global investment firm that ultimately is controlled and managed by Altaris Partners. The investment firm that is controlled and managed by Altaris Partners focuses exclusively on the healthcare industry and actively managed \$4.0 billion in equity capital in 42 portfolio companies across four main investments funds. Because Altaris Partners already indirectly controls Benchmark, Altaris Partners and its affiliates constitute an insurance holding company system (the “Altaris Group”).
- g. The Applicant is Trean Insurance Group, Inc. (“Applicant”). The Applicant is a newly formed Delaware corporation indirectly owned and controlled by Altaris

Partners and a member of the Altaris Group. The Applicant was incorporated solely to become the registrant for an anticipated initial public offering (the “IPO”) involving the Altaris Group. The IPO will, among other things, provide capital to the Altaris Group.

2. Structure of Acquisition of Control

- a. According to the Form A Statement and exhibits, the Form A arises out of an internal restructuring of the Altaris Group, which will result in certain changes to the current chain of ownership of Benchmark and the allocation of voting rights within the Altaris Group. Neither the IPO nor the internal restructuring is being proposed in connection with an acquisition or takeover of Benchmark by an unaffiliated party.
- b. Prior to the completion of the IPO, two members of the Altaris Group – BIC Holdings LLC (“BIC Holdings”) and Trean Holdings LLC (“Trean Holdings”) – will contribute all of their respective assets (including ownership of their subsidiaries) and liabilities to the Applicant in exchange for outstanding shares of voting common stock of the Applicant (“Applicant Common Shares”) as consideration. BIC Holdings and Trean Holdings subsequently will be dissolved pursuant to the terms of their respective limited liability company agreements and will distribute in-kind Applicant Common Shares to the current holders of equity interests in BIC Holdings and Trean Holdings (the “Pre-IPO Unitholders”). The Pre-IPO unitholders will receive an economically equivalent amount of shares of Applicant Common Shares determined based on the IPO price.

- c. As a result of the IPO and internal restructuring, the Applicant will replace BIC Holdings as the direct parent of Benchmark Holding Company. Benchmark Holding Company will remain the direct parent of Benchmark, and Altaris Partners will remain the controlling parent of the Altaris Group.
 - d. After the IPO and internal restructuring is complete, George E. Aitken-Davies and Daniel G. Tully will each acquire more than 10% of the voting control of Altaris Partners. Accordingly, George E. Aitken-Davies and Daniel G. Tully will become the ultimate controlling persons of Benchmark.
- 3. **Consideration for the Acquisition:** The acquisition of control contemplated by the Form A does not result from an acquisition or takeover of Benchmark by an unaffiliated party for which it was necessary to determine a specific amount of consideration. Instead, only nominal consideration will be provided in connection with the steps required to implement the internal restructuring.
- 4. **Future Plans of Applicant**
 - a. In the Form A filing, the Applicant indicated that it anticipates that Benchmark will continue its operations as currently conducted. Further, the Applicant indicated that it does not have any plans or proposals to cause to declare an extraordinary dividend, liquidate Benchmark, sell Benchmark's assets, merge Benchmark with any other entity, or make any other material change to Benchmark's business operations, corporate structure, or management.
 - b. In the Form A filing, the Applicant indicated that it does not have any plans or proposals to change the existing directors and executive officers of Benchmark.

APPLICABLE LAW

5. K.S.A. 40-3304(a)(1) provides:

“No person other than the issuer shall make a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation thereof, such person would, directly or indirectly, or by conversion or by exercise of any right to acquire, be in control of such insurer, and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic insurer or any person controlling a domestic insurer unless, at the time any such offer, request, or invitation is made or any such agreement is entered into, or prior to the acquisition of such securities if no offer or agreement is involved, such person has filed with the commissioner of insurance and has sent to such insurer, a statement containing the information required by this section and such offer, request, invitation, agreement or acquisition has been approved by the commissioner of insurance in the manner hereinafter prescribed. The requirements of this section shall not apply to the merger or consolidation of those companies subject to the requirements of K.S.A. 40-507 and 40-1216 to 40-1225, inclusive, and amendments thereto.”

CONCLUSIONS OF LAW

6. Representatives of the Financial Surveillance and Legal Divisions of the Department inspected and reviewed the contents of the Form A Statement and exhibits and determined those filings comply with the provisions of the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.* and K.A.R. 40-1-28. Additionally, the Department determined that the Applicant provided the information required under Kansas law to enable the Commissioner to render a decision.
7. The evidence shows that after the change of control, Benchmark would be able to satisfy all the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.
8. The evidence shows that the financial condition of the Applicant does not jeopardize the financial stability of Benchmark or prejudice the interest of its policyholders.

9. The evidence shows that the Applicant has no current plans or proposals to liquidate Benchmark, sell its assets or consolidate or merge it with any person, or make any material change in Benchmark's current active business operations, corporate structure, or management.
10. The evidence shows that the competence, experience and integrity of those persons who would control the operation of Benchmark are such that it would not be harmful to the interest of policyholders of Benchmark and of the public to permit the acquisition of control by the Applicant.
11. The evidence shows that the acquisition of control of Benchmark by the Applicant 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 the Applicant to acquire control of the Benchmark in the manner set forth in the Form A Statement and exhibits is hereby approved pursuant to K.S.A. 40-3304, provided that the acquisition is effected no later than 90 days after 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, the Applicant 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 thirty (30) days following the service of this Final Order, unless the Applicant petitions the Commissioner for reconsideration, in which case a petition for judicial review is not timely unless filed within thirty (30) days following service of an order rendered upon reconsideration, or an order denying the request for reconsideration. In the event the Applicant files a petition for judicial review, the agency officer to be served on behalf of the Department is:

Justin McFarland, General Counsel
Kansas Insurance Department
1300 SW Arrowhead Road
Topeka, Kansas 66604

IT IS SO ORDERED THIS 15th DAY OF JUNE, 2020, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



Vicki Schmidt
Commissioner of Insurance

Approved by the Kansas Insurance
Department Legal Division:



Paige Blevins
Staff Attorney

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 15th day of June 2020, to:

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