STATE OF NEW HAMPSHIRE
INSURANCE DEPARTMENT

IN THE MATTER OF:

FORM A STATEMENT REGARDING THE ACQUISITION OF CONTROL OF
WESTERN WORLD INSURANCE COMPANY, STRATFORD INSURANCE
COMPANY AND TUDOR INSURANCE COMPANY
BY VALIDUS SPECIALTY, INC. AND VALIDUS HOLDINGS, LTD.

Docket No: Ins 14-021-AP

ORDER

PROCEDURAL HISTORY


A public hearing on the proposed acquisition of control was held on September 30, 2014.

FINDINGS OF FACT

Pursuant to New Hampshire RSA 401-B:3, I have considered the Form A Statement and, based on the testimony and exhibits at the hearing, I find and conclude as follows:

Proper notice was given of the hearing pursuant to RSA 401-B:3, VI(b).

The Insurers are three affiliated New Hampshire-domiciled insurers with registered offices in Keene, New Hampshire. Western World is a direct, wholly-owned subsidiary of WWIG. Stratford and Tudor are each direct, wholly-owned subsidiaries of Western World. The Insurers are principally surplus lines carriers that collectively offer coverages to small and mid-sized specialty commercial insureds in all fifty states. WWIG and the Insurers’ administrative offices are in New Jersey.

The Applicant Holdings is a publicly-traded Bermuda holding company for a system of international reinsurance, insurance and non-insurance affiliates. It operates through three operating segments: Validus Re, Talbot, and AlphaCat. The first segment is headed by Validus Reinsurance, Ltd. (“Validus Re”), a Bermuda-based reinsurer focused on short tail lines of reinsurance. The second is under Talbot Holdings, Ltd., the Bermuda parent of a specialty insurance group primarily operating within the Lloyd’s insurance market through Syndicate 1183. The third is headed by AlphaCat Managers, Inc., a
Bermuda-based investment adviser managing capital from Holdings and third parties in insurance linked securities and other property catastrophe reinsurance investments. Holdings and its subsidiaries are subject to regulation in multiple jurisdictions, including by the Bermuda Monetary Authority. Holdings does not presently have any United States direct insurance operations, and the proposed acquisition will be its entry into the direct insurance market in the United States.

The Applicant Specialty is a Delaware corporation that owns Holdings' subsidiaries engaged in reinsurance operations and forming its U.S. tax group. Specialty is a wholly-owned subsidiary of Validus Holdings (UK) Ltd., a holding company incorporated in the United Kingdom, which is a wholly-owned subsidiary of Validus Re, which in turn is a wholly-owned subsidiary of Holdings.

As set forth in the Form A and its exhibits, the Applicants propose to acquire control of the Insurers pursuant to a Stock Purchase Agreement dated as of June 23, 2014 by and between WWIG, the shareholders of WWIG, Specialty, Holdings (for limited purposes) and the Sellers' Representative (appointed to represent the individual shareholders of WWIG). Under the Stock Purchase Agreement, Specialty will purchase all the shares of WWIG. It will thus acquire indirectly 100% of the shares of each of the Insurers. Holdings is a party to the Stock Purchase Agreement because it has agreed to guarantee the obligations of Specialty under that agreement.

The Department has been in contact with the Bermuda Monetary Authority, which has advised that it has no objection to the transaction.

The Applicants plan to continue the current plan of operations for the Insurers, including their inter-company pooling arrangements and their wholesale distribution, claims handling and technology offerings. The Applicants will change the Insurers' business mix to reflect a greater degree of property-oriented writings consistent with Validus' focus on short tail lines.

CONCLUSIONS OF LAW

The New Hampshire Holding Company Act, RSA 401-B:3, provides that the Commissioner shall approve any merger or other acquisition of control unless, after a public hearing, the commissioner finds that one or more of six conditions exist. RSA 401-B:3, VI(a). Those potential disqualifying findings are set forth in RSA 401-B:3, VI(a)(1)-(6):

(1) After the change of control the domestic insurer . . . would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(2) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly (referring to the information and standards of RSA 401-B:3-a);

(3) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders;
(4) The plans or proposals which the acquiring party has to liquidate the insurer, 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 and not in the public interest;

(5) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control;

(6) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

None of the six conditions specified in RSA 401-B:3 are supported in the record. Based on the evidence presented, I find that:

After the acquisition of control, the Insurers will continue to be qualified to write the lines of insurance for which they are presently licensed.

The acquisition of control will not substantially lessen competition in insurance in the State of New Hampshire or tend to create a monopoly therein.

The financial condition of the Applicants is not such as to jeopardize the financial stability of the Insurers or prejudice the interest of their policyholders.

The Applicant has no plans to liquidate the Insurers, to sell their assets or consolidate or merge them with any person, or to make any other material changes in the Insurers' business or corporate structure or management which are unfair or unreasonable to policyholders of the Insurers or not in the public interest.

The competence, experience, and integrity of those persons who would control the operation of the Insurers are not such that it would not be in the interest of the policyholders of the Insurers or the public to permit the acquisition of control.

The acquisition of control of the Insurers is unlikely to be hazardous or prejudicial to the insurance buying public.

I conclude, therefore, that the application to acquire control of the Insurers should be approved.

ORDER

Accordingly, it is hereby ORDERED that the acquisition of control of Western World Insurance Company, Stratford Insurance Company, and Tudor Insurance Company by Validus Specialty, Inc. and Validus Holdings, Ltd. is APPROVED, subject to the condition that the Applicants shall provide the New Hampshire Insurance Department with written confirmation of the closing of the transaction contemplated by the Form A Statement.
SO ORDERED,

[Signature]
Roger Sevigny, Commissioner

Dated: September 30, 2014