



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

March 8, 2017

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Via Email
Noreen J. Parrett
Parrett & O'Connell, LLP
Madison, WI 53703

Re: Acquisition of Control of Blue Ridge Indemnity Company

Dear Ms. Parrett:

The additional information listed below is needed to assist in the review of this transaction.

- There have been several instances of compliance issues with other states. What has the group done to mitigate the risk of these types of incidents happening in the future?
- The plan of operations appears to be canned. An example of this is that Blue Ridge plans to offer the surety program on a national basis when it is only licensed in six states. In addition the plan includes a potpourri of business lines which the company plans to offer. Working under the assumption that BRIC will offer products similar to those offered by its soon to be affiliates please provide a table on a group wide basis of the amount of direct premium written in each of the proposed lines. Lines that have a de minimus amount written (less than 5% of total writings) need not be included.
- Please provide the assumptions underlying the financial pro forma submitted.

As indicated previously biographical information is needed for Mr. Selvig. Let me know if you have any questions.

Sincerely,

Richard A. Hinkel
Insurance Financial Examiner Chief
Bureau of Financial Analysis and Examinations

Hinkel, Richard - OCI

From: Hinkel, Richard - OCI
Sent: Thursday, March 09, 2017 8:43 AM
To: 'Noreen Parrett'
Subject: BRIC

One other thing, I need balance sheet pro forma financial statements that include RBC and compulsory & security results.

Richard Hinkel
Insurance Financial Examiner Chief
Office of the Commissioner of Insurance
Bureau of Financial Analysis and Examinations
P.O. Box 7873
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Hinkel, Richard - OCI

From: Hinkel, Richard - OCI
Sent: Friday, March 10, 2017 11:28 AM
To: 'Noreen Parrett'
Subject: BRIC Administrative Service Agreement

Good morning Noreen,

Section 4 of the Administrative Services Agreement is not acceptable. LOTS Solutions can collect premiums and other cash receipts but the funds need to be transferred to bank accounts owned by BRIC within 15 business days. They can be held in an account that LOTS Solutions has check writing authority or wire transfer monies to LOTS Solutions as needed.

Let me know if you have any questions.

Richard Hinkel
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Hinkel, Richard - OCI

From: Hinkel, Richard - OCI
Sent: Friday, March 10, 2017 2:26 PM
To: 'Noreen Parrett'
Subject: Reinsurance Agreement
Attachments: Blue Ridge Ind Co Order Case No .docx

Noreen,

The reinsurance agreement needs a correction. Article II, Item 26 reads: "Quota Share" is defined as the Reinsurer's proportion of the liability on the insurance risks of the Policies. For purposes of this Agreement, the Quota Share shall be set separately for each Cedant and equal to as follows: Lyndon Southern Insurance Company 95%, Insurance Company of the South 90% and Response Indemnity of California 90%. This need to be changed to the Blue Ridge Indemnity quota share percentage. There is a minor typo in item 37.

After reviewing the statements of other insurers owned by Fortegra it appears the affiliated reinsurance is applied net of the nonaffiliated reinsurance. Please confirm.

The plan of operations states BRIC will retain 10% of the risk while the pro forma statement reflect a 20% retention. Please clarify the retention of BRIC.

Finally, I have attached a draft stipulation and order similar to others placed on domestic insurers that cede to an off-shore affiliate. Let me know if this is acceptable to your client.

Thank you for your assistance. Let me know if you have any questions.

Richard Hinkel
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