



DATE: October 1, 2020
TO: Amy Malm, Administrator, Division of Financial Regulation *AM* 10/1/2020
FROM: Levi Olson, Insurance Financial Examiner Chief
SUBJECT: Glencar Form A, Dated September 9, 2020

DESCRIPTION OF THE TRANSACTION

Overview

Glencar Insurance Company (GIC) filed a Form A, "Statement Regarding the Acquisition of Control of Merger with a Domestic Insurer", dated September 9, 2020, which was received on the same date, whereby it proposed a series of transactions to reorganize certain aspects of its holding company system. The goal is to finalize the last transaction no later than November 1, 2020. Currently Hannover Finance, Inc (HFI) is the direct parent of GIC. Hannover Ruck SE (Hannover Re) is the direct parent of HFI. The acquiring entities are Hannover Re Holdings (UK) Limited (HoldCo), and Hannover Ruck Beteiligung Verwaltungs-GmbH (HRBV). The relevant transaction details are as follows:

1. Contribution of HFI from Hannover Re to HRBV- Hannover Re will contribute 100% of the issued and outstanding shares of the capital stock of HFI to HRBV in exchange for additional shares of HRBV.
2. Contribution of HFI from HRBV to HoldCo- HRBV will contribute 100% of the issued and outstanding shares of the capital stock of HFI to a recently incorporated HoldCo in exchange for additional shares of HoldCo.

As a result of the transactions GIC will become an indirect subsidiary of both HRBV and HoldCo.

The Hannover Re organization structure is fairly complex and there will other transactions involved in the restructuring, however only the transactions involving HRBV and HoldCo require OCI approval. The related transactions that do not require OCI approval include: transfer of Hannover Life Reassurance Company of America to Hannover Life Reassurance Company of America (Bermuda) and the merger of Hannover Life Reinsurance Bermuda Ltd. and Hannover Re (Bermuda) Ltd.

The reason for the restructuring is to optimize Hannover Re's capital/liquidity/solvency position and to promote cost efficient corporate structures.

Summary of Key Documents

Exhibit 1.1- Graphical Illustration of Restructuring

- o This is a PowerPoint which includes a graphical representation of each step of the transaction. Pages 5 and 6 are applicable to the internal reorganization which effects GIC.

Exhibit 2 (c) (i)- Corporate Organization Structure – Current

Exhibit 2 (c) (ii)- Corporate Organization Structure – After the Restructuring

Exhibit 3.1- OCI Disclaimer of Control Response

Exhibit 3.2- Correspondence Regarding Declination of Disclaimer of Control

- Exhibits 3.1 and 3.2 - OCI issued a denial for a disclaimer of control of HDI company of Glencar on January 22, 2019. It was Glencar's position that Hannover Re, not HDI was the ultimate controlling entity. The Form A makes reference to the denial letter as justification for not providing biographical affidavits of the HDI directors and officers.

Biographical Affidavits

Three biographical affidavits were provided for the directors of HRBV and HoldCo. The two companies have overlapping directors. HoldCo has three directors and HRBV has two directors. Debbie O'Hare does not sit on the board of HRBV. The following is a brief summary of the review of the affidavits:

- Debbie Marcia O'Hare- Has worked with the Hannover Group since 2004. No unusual responses noted within the biographical questionnaire.
- Dr. Michael Benedikt Pickel- Has worked with the Hannover Group since 2000 and is currently a director of GIC. No unusual responses noted within the biographical questionnaire.
- Olaf Brock- Has worked with Hannover Group since 1999. No unusual responses noted within the biographical questionnaire.

OBSERVATIONS BASED ON REVIEW OF DOCUMENTS AND ON INQUIRES

The Form A filing was prepared in a format that complies with s. 611.72, Wis. Stat. The information contained in the filing is sufficient for OCI to make a decision concerning the proposed plan.

Legality and Fairness of the Proposed Plan

The change in control would not change the ultimate controlling parent. Instead, the Applicants would serve as indirect intermediate holding companies that indirectly own 100% of the outstanding shares of GIC. The Applicants would be owned and controlled by Hannover Re and would have no operations other than their ownership of HoldCo stock (in the case of HRBV) and HFI stock (in the case of HoldCo).

Grounds for disapproving the Form A are outlined in [s. 611.72 \(3\), Wis. Stat.](#) The Form A does not meet any of the criteria for disapproval listed in s. 611.72 (3), Wis. Stat.

Future Plans after the Change in Control

After the internal reorganization is complete, GIC's business strategy will remain unchanged. It will write specialty admitted business mostly produced by its affiliate, Glencar Underwriting Managers. There will be no changes in financial projections as a result of the acquisition.

RECOMMENDATION

The acquisition will not violate the law or be contrary to the interests of the insureds, and it does not meet any of the disqualifying criteria outlined in s. 611.72 (3), Wis. Adm. Code. Since there will be no change in the ultimate parent, a hearing is not required per s. 611.72 (3m), Wis. Stat. Therefore, I recommend that the transaction be approved without a hearing.