

January 24, 2019

Sent by Electronic Mail

Steven J. Junior
Deputy Director
Bureau of Financial Analysis and Examinations
Office of the Commissioner of Insurance
P.O. Box 7873
Madison, WI 53707-7873

Re: In the Matter of the Acquisition of Control of National Insurance Company of Wisconsin, Inc. by Wilmington Holdings Corporation and Merger of Wilmington Insurance Company with and into National Insurance Company of Wisconsin, Inc.
Case No. 18-C42958

Dear Mr. Junior:

This letter responds to your letter of January 15, 2019 with respect to the above-captioned merger of Wilmington Insurance Company ("WIC") and National Insurance Company of Wisconsin, Inc. ("NICW") and the acquisition of NICW by Wilmington Holdings Corporation (Wilmington Holdings). In addition, this letter is notice to the Office of the Commissioner of Insurance ("OCI") that the above-captioned transaction has changed slightly in the ways and for the reasons set forth more fully below.

WIC's Response to January 15, 2019 Inquiry

WIC's response is in the same order that the requests were posed in your January 15, 2019 letter:

1. The list of officers and directors for Wilmington Holdings Corporation and Gearson Partners Holdings, LP are listed in Item 3 of the Form A Statement. Enclosed is a copy of Item 3 of the Form A Statement for your convenience.
2. Gearson Partners was created in 2012. It was inactive until its use as the holding company parent of WIC. From its creation in 2012 until its use as the parent company of WIC, it had no assets. There are therefore no financial statements other than for the four

months ended December 31, 2017.

3. Enclosed is a Wilmington Holdings board resolution approving the transaction.
4. WIC has been working with David Lonchar, Director of Company Regulation of the Delaware Department of Insurance. His direct telephone number is (301) 674-7334.

Changes to Transaction

Two substantive changes to the transaction have occurred since filing the Form A Statement and documentation with the OCI. One of the changes resulted in an amendment to the Agreement and Plan of Merger (“Merger Agreement”). The other change was already anticipated in the Merger Agreement and therefore did not necessitate a language change. Both changes are described below:

1. Section 1.7 of the Merger Agreement filed with the OCI as a part of the Form A filing provided for a purchase price of \$8,500,000, \$5,500,000 of which would be paid through a pre-merger dividend from NICW to National Services, Inc. (“National Services”), NICW’s parent. The remainder of the purchase price would be paid through a post-merger dividend after the merged company was redomesticated to Delaware. At that time, the parties anticipated that the redomesdication to Delaware would occur simultaneous with the DE DOI’s approval of the merger, and the Merger Agreement therefore included as a condition to closing that the merged company would have received the DE DOI’s approval to redomesticate.

We have since learned from the DE DOI that it prefers to wait until after the transaction has closed to consider the merged company’s redomestication to Delaware. The First Amendment to Agreement and Plan of Merger (copy enclosed) amends the Merger Agreement to delete the pre-closing requirements of approval from the DE DOI for the company to redomesticate to Delaware.

The reverse merger results in a merged entity named National Insurance Company of Wisconsin, Inc., wholly owned by Wilmington Holdings, Inc. WIC’s intent was to change the name of the merged entity from NICW back to WIC when it redomesticated to Delaware which was anticipated to be at or immediately after closing. However, the delay in the redomestication process necessitates a name change at closing to permit the company to continue to write in WIC’s name on existing policy forms without a gap in the company’s ability to do business. We are therefore requesting that the OCI consider and approve the name change from National Insurance Company of Wisconsin, Inc., to Wilmington Insurance Company at the same time as it considers approval of the merger.

2. Because of concern about the sufficiency of the reserves for the long-term care business (the “Legacy Business”) then reinsured by Ability Insurance Company (“Ability”),

Section 1.7 of the Merger Agreement provided for a holdback of \$1,000,000 of the pre-merger payment. Release of the holdback, as determined under Section 1.8 of the Merger Agreement, depended on the difference in the actual reserves held by Ability and the actuarially determined reserves of the Legacy Business at given times over the five-year period following closing of the transaction. Because NICW and Ability were in the process of negotiating a recapture by NICW of the Legacy Business, the Merger Agreement includes a provision in Section 1.9 for release of the holdback by Wilmington Holdings to NICW in the event NICW recaptured the Legacy Business from Ability.

NICW and Ability have reached agreement on the recapture by NICW of the Legacy Business under which the Automatic Long-Term Care Reinsurance Agreement between NICW and Ability is terminated, NICW will recapture outstanding liabilities on the Legacy Business and Ability will pay NICW \$1,924,018 in reserves. WIC does not object to the reserve settlement. A copy of the Recapture Agreement is enclosed with this letter. While there is no need for a language change in the Merger Agreement because of this development, we wish to point out that the \$1,000,000 holdback contemplated by Section 1.7 of the Merger Agreement is now not necessary and will not be a part of the transaction.

We appreciate the OCI's consideration of these changes to the transaction. Should you have any questions on the changes or on any other part of the transaction, please contact me.

Sincerely,

PARRETT & O'CONNELL, LLP



Noreen J. Parrett

Enclosures

1. List of officers and directors of Wilmington Holdings and Gearson Partners Holdings, LP
2. Wilmington Holdings Board Resolution
3. First Amendment to Agreement and Plan of Merger
4. Recapture Agreement between Ability Insurance Company and NICW

cc: David Gearhart, WIC
Kathryn K. Westfall, Counsel for National Services, Inc.