



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

March 24, 2016

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

MR WILLIAM J TOMAN
QUARLES & BRADY LLP
33 EAST MAIN STREET
SUITE 900
MADISON WI 53703

Re: Form A – Acquisition of Control of Northwestern National Insurance Company of Milwaukee, Wisconsin (“Domestic Insurer”) by SOBC Gamma Holding Company Limited (“Applicant”)

Dear Mr. Toman:

The State of Wisconsin Office of the Commissioner of Insurance (“OCI”) has completed its review of the Applicant’s March 18, 2016 response to OCI’s Form A application follow-up letter dated February 22, 2016. Our review identified certain additional items requiring follow-up, and indicated below. To ensure that the Form A review continues to move forward expeditiously, please provide the following information at your earliest convenience:

1. Stock Purchase Agreement – Schedule 2.02 (b) Government Consents: Schedule 2.02 states that two conditions that will need to be satisfied prior to closing include:

- (a) Seller will need to obtain OCI’s approval or non-disapproval of the Post-Retirement Obligations Transfer and Intellectual Property Assignment through the preparation, submission, and prosecution of a Form D application pursuant to s. 617.21 of the Wisconsin Statutes and s. Ins 40.04 of the Wisconsin Administrative Code.
- (b) Seller will need to obtain OCI’s approval or non-disapproval of the amendment and/or termination of that certain Restructuring Agreement between Seller, NNIC and Armco Financial Services Corporation dated September 30, 1999.

Please state how the Seller intends to seek OCI’s approval for these items (i.e. – through a Form D filing to OCI), and state when you anticipate these items will be filed with OCI.

In addition, please indicate whether the parties seek approval of these items in conjunction with OCI’s approval of the Form A.

2. Identity and Background of Individuals Associated with the Applicant: Form A, Item 3, states that “Background checks on these persons [directors and officers of SOBC Corp. and SOBC Gamma] will be submitted to the Wisconsin Office of the Commissioner of Insurance as soon as possible.”

Please indicate when you expect these Background Checks will be submitted to OCI.

3. Proposed Officers and Directors of Domestic Insurer:

Please identify the proposed officers and directors of the Domestic Insurer (and submit biographical affidavits, if not previously submitted).

4. Intercompany Services Agreement (Appendix 6):

Please submit a revised Intercompany Services Agreement to reflect the following:

- (a) **Name of the Insurer:** The Agreement refers to the domestic insurer as “NorthWestern National Insurance Company.” The domestic insurer’s legal name is: “Northwestern National Insurance Company of Milwaukee, Wisconsin”). Please correct all references to the domestic insurer to reflect the domestic insurer’s legal name.
- (b) **Compensation:** The March 18, 2016 response letter stated: “Upon reconsideration, it has been determined that SOBC will charge an annual flat fee of \$250,000, rather than charging actual costs and using any allocation methodology.” Please revise Section 2 and Exhibit B of the Intercompany Services Agreement to reflect this change.

5. Disclaimers of Control: The response to OCI’s February 22, 2016 follow-up letter stated: “A disclaimer of control for SOBC Limited, Stephanie Mocatta, and Richard Whatton will be submitted as soon as possible. Harry Witcher also does not ‘control’ SOBC Holdings Plc as defined in Wis. Stat. § 600.03(13), but it is my understanding that he does not need to disclaim control unless there is a presumption of control because he owns *more than* 10% of the voting securities of SOBC Holdings Plc.”

Per s. 600.03(13), Wis. Stat.: “There is a rebuttable presumption of control if a person directly or indirectly owns, holds with the power to vote, or holds proxies to vote more than 10% of the voting securities of another person.” Please note that OCI has historically interpreted this section to mean: Once the owner attains (directly or beneficially) *10% or more* of the voting securities of the insurer (or the ultimate controlling person), then the presumption of control applies.

Please provide disclaimers of control for Stephanie Mocatta, Richard Whatton, and Harry Witcher at your earliest convenience.

Please feel free to call me at (608) 266-9896, or e-mail me at kristin.forsberg@wisconsin.gov, should you have any questions.

Sincerely,



Kristin L. Forsberg, CPA, CFE
Financial Examiner/Company Licensing Specialist
Bureau of Financial Analysis and Examinations
Phone: (608) 266-9896
E-mail: kristin.forsberg@wisconsin.gov