

Junior, Steve J - OCI

From: scalabria@foley.com
Sent: Friday, November 17, 2017 4:57 PM
To: Junior, Steve J - OCI
Subject: Hannover Finance, Inc.'s Form A

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Dear Steve,

Again, thank you very much for your previous e-mail correspondence dated November 7, 2017, and the quick and thorough work by you and the rest of the professional staff at OCI in connection with this matter. We are grateful for all of your timely and excellent work on this.

This e-mail and its attachments are intended to respond to the various supplemental requests and inquiries contained in your prior e-mail, as well as the various draft attachments included in your prior e-mail, in each case consistent with the preliminary discussions we had in that regard. The same is submitted in connection with Hannover Finance, Inc.'s Form A Statement Regarding the Acquisition of Control or Merger with a Domestic Insurer that was filed with OCI on October 20, 2017 and Hannover Finance, Inc.'s Form D Prior Notice of a Transaction by Hannover Finance, Inc. on behalf of The Omaha Indemnity Company (to be renamed Glencar Insurance Company) that was filed with OCI on October 31, 2017.

For ease of reference, we restate below each item from your prior e-mail, followed by our response.

1. Please provide the following information for Hannover Finance, Inc.

- a. 2012 balance sheet
- b. 2013 income statement
- c. 2014 income statement
- d. 2015 income statement
- e. 2016 income statement

The requested materials were uploaded to the Foley FTP site being used for this Form A on November 10, 2017.

2. The proposed Amended and Restated Bylaws for Glencar Insurance Company should be re-filed without Section 8.3 concerning Implied Amendments. This Office is against this provision, because insurers should follow their own governance documents or make timely amendments as suits their needs. Furthermore, this Office would prefer to be consulted in emergency situations rather than stumbling upon them during a financial examination, which might take place a few years after the emergency.

Attached are clean and redlined copies of the Amended and Restated Bylaws for Glencar Insurance Company, revised as requested above.

3. Section 16 of the proposed Administrative Services Agreement by and among Glencar Underwriting Managers, Inc. and Glencar Insurance Company should be modified to require errors and omissions liability and fidelity bond coverages with limits in commercially reasonable amounts. This coverage need not be duplicative or in excess of that already required under Article IX of the proposed Program Administrator's Agreement. It is simply that the services under both agreements are essential to day-to-day operations and such coverage would be expected in either type of contract.

Attached are clean and redlined copies of the aforesaid Administrative Services Agreement, revised as requested above.

4. A draft copy of the Case Recommendation Memo is attached. Please provide additional information on the history, form of organization, and financial position of Haftpflichtverband der Deutschen Industrie V.a.G.

Attached are clean and redlined copies of the Case Recommendation, the redline showing our proposed changes for your consideration. The proposed revisions reflect the items we recently discussed concerning, among other things, the references to Talanx AG and Haftpflichtverband der Deutschen Industrie V.a.G. Essentially, while acknowledging the stock ownership connection with those entities, we revise the agreement so that there is no formal finding or admission of "control" by those organizations at this point, but at the same time acknowledging Hannover Ruch SE as the controlling entity for these purposes.

We did reach out to Hannover Life Re (HLR) – our Florida affiliate – and they confirmed that each year the Florida OIR requests information as part of their annual "holding company analysis" over-and-above the annual Form B registration requirements, and HLR has only had to respond at the Hannover Ruch SE level in that regard. Specifically, each year they provide the Florida OIR with the following statement in that regard:

"HLR America is a wholly owned subsidiary of Hannover Life Re AG, which is a wholly owned subsidiary of Hannover Re, located in Hannover, Germany. A majority of 50.2% of the issued and outstanding voting stock of Hannover Re is owned by Talanx AG. A majority of 79.0% of the issued and outstanding voting stock of Talanx AG is owned by HDI VaG.

Hannover Re, together with all entities under the direct or indirect control of Hannover Re, is considered HLR America's parent, and HLR America's affiliates, respectively, for Florida OIR Holding Company Act purposes. All other entities owned or controlled by Talanx AG are not considered affiliates of HLR America for Florida OIR Holding Company Act purposes because HLR America does not have voting rights on any corporate matters of such entities, nor does HLR America hold, directly or indirectly, proxies representing ten percent or more of the voting securities of any such entities. Likewise, none of such entities has voting rights on any corporate matters of HLR America, nor do any such entities hold, directly or indirectly, proxies representing ten percent or more of the voting securities of HLR America. Neither HLR America nor any such entities have the power, directly or indirectly, through contract or otherwise, to direct the management, policies, or operations of the other. Consequently, all such other entities owned or controlled by Talanx AG are not considered affiliates of HLR America for Florida OIR Holding Company Act purposes, and such affiliation is hereby disclaimed."

Of course, as we discussed, Glencar and HFI are willing to submit any prescribed agreements between Glencar and an affiliate of Talanx/HDI to OCI for its prior written consent, and we have modified the Stip and order (addressed below) to include such a requirement. In any event, I am happy to discuss these further with you if there are any additional concerns or questions.

5. A draft list of exhibits is attached for your consideration.

We concur with the draft list of exhibits..

6. A draft stipulation and order is attached concerning certain conditions for our approval of the proposed acquisition of control.

Attached are clean and redlined copies of the Stip and Order, the redline showing our proposed changes consistent with our discussions relative to that document. I am happy to discuss these further with you if there are any additional concerns or questions..

7. Draft waivers of right to object are attached for use in the event that the parties would like expedited entry of a Final Decision in accordance with the Proposed Decision.

We concur with the form of these documents.

Again, Steve, we are very grateful for your time and effort to date on this matter, and look forward to working with you to bring this matter to hearing.

Best,

Tom

Thomas R. Hrdlick

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[Redline - Glencar Insurance Company Amended and Restated Bylaws and Glencar Insurance Company Amended and Restated Bylaws\(1\).pdf](#)
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[Hannover - OIC - Administrative Services Agreement with GIC \(ASA\) 4849-5700-8466 v.5.pdf](#)
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