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February 3, 2020

Steven J. Junior, Deputy Director
Bureau of Financial Analysis and Examinations
Office of the Commissioner of Insurance
GEF3, 2nd Floor
125 South Webster Street
P.O. Box 7873
Madison, WI 53701-7873

**Re: In the Matter of the Acquisition of Control of Everspan Insurance Company
("Everspan") by Ambac Financial Group, Inc. ("AFG")**

Dear Steve:

Following up on our discussions, AFG hereby requests approval by the Commissioner of Insurance, pursuant to Wis. Stat. § 611.72 and Wis. Admin. Code § Ins 40.02, of the acquisition by AFG of direct control of Everspan (the "Proposed Acquisition"). On behalf of AFG, we have enclosed two manually signed paper copies of a Form A in support of this request. We will follow up shortly with an electronic copy of the Form A. And, while it is just a formality in this case, we have delivered a copy of the Form A to Everspan, as required by Wis. Admin. Code § Ins 40.02(1)(b)1., by sending a copy of this letter and the enclosed Form A to Steve Ksenak.

As you know, AFG is currently the ultimate controlling person of both Everspan and Ambac Assurance Corporation ("AAC"): AFG directly owns all of the shares of AAC common stock, and AAC directly owns all of the shares of Everspan stock. After a distribution by Everspan as described below, AFG proposes to acquire direct ownership of Everspan pursuant to a Stock Purchase Agreement between AFG and AAC.

Repositioning Everspan as a subsidiary of AFG is intended to address issues with implementation of Everspan's business plan, and make it more likely that Everspan will be able to write new direct business. In that regard, execution of the Everspan business plan currently on file with your Office has been complicated, in part, by perceptions about the impact of AAC's

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ownership and control over Everspan, including comments and concerns about that relationship which were received by Everspan from the U.S. Treasury Department in response to its application for certification to write surety bonds that are required by federal agencies (a "T-listing"). Additionally, based on conversations that AFG has had with A.M. Best, it appears that any business-writing entity affiliated with AFG would be better situated outside of AAC control in order to receive a favorable rating. Everspan expects to seek a rating from A.M. Best at an appropriate time. Therefore, AFG believes it is in the best interest of Everspan to be repositioned as a subsidiary of AFG.

As described in a separate report submitted pursuant to Wis. Stat. § 617.225 contemporaneously with this Form A, Everspan proposes to make a distribution to its parent, AAC, prior to AAC's sale of Everspan to AFG. The final amount of this distribution will be determined based on the valuation of the distributed securities as of the distribution date, but will leave not less than \$10,500,000 in surplus at Everspan. The amount of this surplus plus \$3,328,000 for Everspan's 52 licenses in U.S. jurisdictions is the purchase price that AFG will pay to AAC for Everspan.

The Proposed Acquisition satisfies Wis. Stat. § 611.72(3m) in that "the proposed acquirer is ... an affiliate of the insurer and the proposed ... acquisition of control does not change the controlling person of the insurer." Therefore, AFG requests that OCI dispense with a hearing on the Form A pursuant to § 611.72(3m). For the same reason, no Form E, Pre-Acquisition Notification Form regarding Potential Competitive Impact, is required. Wis. Admin. Code § Ins 40.025(2)(c) and (d).

In addition to requesting your Office's approval of the Proposed Acquisition pursuant to Wis. Stat. § 611.72(2), AFG requests that:

- Submission of the Stock Purchase Agreement with this Form A substitute for any Form D filing that might otherwise be required by AAC under Wis. Stat. § 617.21(2) and Wis. Admin. Code § Ins 40.04(2)(a), and that your Office permit it with the requested approval of the Form A;
- With respect to termination of Everspan's reinsurance contract with AAC, as described in Item 5 of the Form A, your Office consider this Form A filing to satisfy any requirement for the parties to provide informal notice of the termination under Wis. Admin. Code § Ins 40.04(2)(intro.), as well as any requirement for the parties to file reports of material transactions under § Ins 41.01;
- Your Office consider this filing to provide notice of the Proposed Acquisition pursuant to paragraphs (5)(a) and (6) of that certain Stipulation and Order entered by the Commissioner on January 23, 2018 In the Matter of Ambac Assurance Corporation, Case No. 17-C42069

(the “2018 Stipulation”), which require advance notice of any sales or purchases; and your Office approve or non-disapprove the Proposed Acquisition pursuant to paragraph (6) of the 2018 Stipulation;

- Your Office consider this filing to provide notice of changes to Everspan's Business Plan occasioned by the Proposed Acquisition, and your Office approve or non-disapprove these changes, pursuant to paragraph (8) of the 2018 Stipulation;
- Your Office make the findings required by section 3.04(j) of the Settlement Agreement dated as of June 7, 2010, as amended, by and among AAC, AFG, Ambac Credit Products, LLC and the persons listed on Schedule A thereto (the “Bank Settlement Agreement”), that is, the Stock Purchase Agreement:
 - is in accordance with Wis. Stat. §§ 611.61 and 617.21 and Wis. Admin. Code § Ins 40.04; and
 - does not violate the law, is reasonable and fair to the interests of AAC, and protects and is equitable to the interests of AAC policyholders generally;
- Your Office (1) confirm that the Stipulation and Order entered by the Wisconsin Commissioner of Insurance on September 2, 2008 In the Matter of Connie Lee Insurance Company, Case No. 08-C31612 (the “Reactivation Order”), is not applicable to the Proposed Acquisition and (2) terminate the Reactivation Order;
- Your Office deem this report as satisfying any other applicable notice requirements under Wisconsin statutes or regulations, including under the 2018 Stipulation.

Specifically, Everspan requests that your Office reflect these points in any letter approving the Proposed Transaction, and we would appreciate the opportunity to work with your Office on any such letter.

Please note that AAC has reviewed the Bank Settlement Agreement, that certain indenture, dated as of February 12, 2018, by and between AAC and The Bank of New York Mellon, as Trustee and Note Collateral Agent (the “Tier II Indenture”), and the 2018 Stipulation, and believes that the Proposed Acquisition does not require any amendments thereto or any approvals thereunder, other than the approvals, non-disapprovals, and findings requested above. Of note, section 3.04(h)(iv) of the Bank Settlement Agreement, and its equivalent section 409(c) of the Tier II Indenture, limiting asset transfers by AAC, is not triggered, as the fair value of assets transferred and material business ceded to third parties by AAC and all of its Subsidiaries in the past six-month period which were not reviewed and non-disapproved by your Office does not exceed 10% of AAC’s admitted assets, though even were such provision triggered, the Proposed

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Transaction is being implemented pursuant to an Intercompany Agreement that AAC believes meets the OCI Approval Standard, both as defined in the Bank Settlement Agreement and Tier II Indenture.

Finally, please note that we are submitting Exhibit 7 to the Form A, financial projections for Everspan, under separate cover with a request for confidential treatment.

If you have any questions, please do not hesitate to contact me or Steve Ksenak, AFG's Senior Managing Director & General Counsel, at 212.208.3128 or SKsenak@ambac.com. Otherwise, we look forward to obtaining your Office's approval of this transaction as soon as possible. Thank you for your consideration.

Very truly yours,

QUARLES & BRADY LLP



William J. Toman

Enclosures

cc(w/enc.): Levi Olson
Stephen M. Ksenak