

**BEFORE THE INSURANCE COMMISSIONER OF THE  
STATE OF OKLAHOMA**

**FILED**  
DEC 19 2011  
INSURANCE COMMISSIONER  
OKLAHOMA

In re: Form A - Acquisition of Control of            )  
**Montpelier U.S. Insurance Company**, an            ) Case No. 11-0989-TRN  
Oklahoma domestic insurer by                    )  
**Selective Insurance Group, Inc.**                    )

**ORDER**

On the 19th day of December, 2011, the above matter came for hearing and review by the Oklahoma Insurance Commissioner through his duly appointed Hearing Examiner.

The Applicant was represented by J. Angela Ables of the law firm of Kerr, Irvine, Rhodes and Ables, Oklahoma City, Oklahoma, and the Oklahoma Insurance Commissioner was represented by Kelley C. Callahan, Senior Attorney. Leamon Freeman was appointed by the Honorable John Doak, Oklahoma Insurance Commissioner, for the purpose of acting as Hearing Officer and making all determinations pertinent to the acquisition of control of Montpelier U. S. Insurance Company ("MUSIC"), an Oklahoma domestic property and casualty insurer. John W. McCarter, Chief Financial Analyst of the Commissioner's Office, appeared and testified on behalf of the Financial Division of the Oklahoma Insurance Department. Dale A. Thatcher, Executive Vice President and Chief Financial Officer of Selective Insurance Group, Inc., Applicant herein, appeared to testify as to the information contained in the Form A Statement which was the subject of the Hearing.

The Hearing Officer, having reviewed the Form A and all documentation relating thereto, received evidence, and being fully advised in the premises, finds as follows:

## JURISDICTION

1. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to the provisions of the Oklahoma Insurance Code, 36 O.S. § 1651, the Oklahoma Administrative Code, O.A.C 365:25-7-20 et seq., and the Administrative Procedures Act, 75 O.S. § 250, et seq.

2. That the Hearing Examiner was properly appointed pursuant to the provisions of the Administrative Procedures Act, the Oklahoma Administrative Code and the Oklahoma Insurance Code, specifically 36 O.S. 2011 §§ 313 and 319, and the Oklahoma Insurance Holding Company Act, 36 O.S. 2011 § 1651, et seq., and rules and regulations of the Oklahoma Insurance Commissioner.

## FINDINGS OF FACT

1. That Selective Insurance Group, Inc. ("Applicant") filed a Form A Acquisition Statement with the Oklahoma Insurance Commissioner on or about October 3, 2011, for the purpose of receiving approval to be approved as "control" persons of MUSIC pursuant to a Stock Purchase Agreement entered into between Applicant and the sole shareholder of MUSIC, Montpelier Re U.S. Ltd. ("Montpelier Re U.S."), dated September 19, 2011 ("Stock Purchase Agreement").

2. That the address of the Applicant is as follows:

Selective Insurance Group, Inc.  
40 Wantage Avenue  
Branchville, New Jersey 07890

3. That the proposed acquisition of the Oklahoma domestic insurer will be effected pursuant to the Stock Purchase Agreement. and the Applicant will acquire 100% of the issued and outstanding shares of MUSIC from Montpelier Re U.S.

4. That post-acquisition, the Oklahoma insurer, MUSIC, will be redomesticated to the State of New Jersey and be used to expand into the excess and surplus lines contract binding authority market.

5. That the Oklahoma domestic insurer has a present home office address of 6263 N. Scottsdale Road, Suite 300, Scottsdale, Arizona 85261-4030.

6. That the Applicant filed sworn biographical affidavits for its officers and directors and had same verified by a third party verification service who reported directly to the Oklahoma Insurance Commissioner's Office of its findings.

7. That testimony at the Hearing was that the consideration for the sale and acquisition described in the Form A Statement was comprised of the following:

(a) \$38,406,000, which was MUSIC's net worth on a GAAP basis of as of June 30, 2011, and which amount is to be adjusted pursuant to the Stock Purchase Agreement within ninety (90) days following the closing date;

(b) \$9,750,000 in cash;

(c) \$3,588,000 for information technology and intellectual property associated with MUSIC's business; and

(d) \$3,500,000 for MUSIC's deferred tax asset.

8. That prior to this Form A Statement and hearing, the sole shareholder of MUSIC was Montpelier Re U.S.

9. That four (4) affiliate agreements were filed with the Form A Statement as part of the "future plans of the insurer" and will be re-filed with the financial division of the Commissioner's Office for review and approval separate from the acquisition hearing.

10. That it is the intention of the Applicant, upon approval of the acquisition of the domestic insurer, to redomesticate it to the State of New Jersey where other of its insurers are headquartered.

11. That testimony at the Form A Hearing and other information submitted by the Applicant indicated that none of the Applicant's officer and directors had ever been the subject of a criminal or regulatory proceeding.

12. That the audited financial statements of the Applicant reflected the following stockholders' equity for the past five (5) years:

<u>FINANCIAL STATEMENT</u> <u>ENDING DATE</u>	<u>STOCKHOLDERS'</u> <u>EQUITY</u>
December 31, 2010	\$1,071,109,000
December 31, 2009	\$1,002,375,000
December 31, 2008	\$ 890,493,000
December 31, 2007	\$1,076,043,000
December 31, 2006	\$1,077,227,000

13. An unaudited financial statement within ninety (90) days current of filing the Form A Statement reflected the Applicant's stockholders' equity of \$1,086,555 as of September 30, 2011.

### CONCLUSIONS OF LAW

1. That Applicant has complied with the provisions of the Oklahoma Insurance Holding Company Act, 36 O.S. 2011 § 1651, et seq., and the Oklahoma Insurance Code, 36 O.S. 2011 § 606.1. That the Hearing was held pursuant to the Administrative Procedures Act, 75 O.S. 2011 § 250, et seq., the Oklahoma Insurance Code, 36 O.S. 2011 § 101, et seq., and the promulgated Rules and Regulations of the Oklahoma Insurance Commissioner.

2. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to 36 O.S. 2011 § 1651, et seq., and 36 O.S. 2011 § 606.1.

3. That the Applicant was given lawful Notice of Hearing on December 9, 2011, setting the date, time, place and location of the Hearing.

4. That Waivers of Notice of Hearing were filed by the Applicant herein. Waivers were also filed by MUSIC, the Oklahoma domestic insurer, and its parent holding company, Montpelier Re U.S Holdings Ltd.

5. That the Hearing was recorded electronically by members of the Oklahoma Insurance Commissioner's staff pursuant to the Administrative Procedures Act and a full stenographic record was requested by the Applicant, which the Hearing Examiner designated as the official record of the Hearing.

6. That both the Insurance Commissioner's office and the Applicant attended the Hearing, made arguments, presented testimony and stated that they had nothing further to submit to the Hearing Examiner.

7. That based upon a preponderance of the evidence submitted at the Hearing, the

Hearing Officer finds that no evidence was submitted that, after the proposed acquisition, the Oklahoma domestic insurer, MUSIC, would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.

8. That no evidence was submitted that the transactions described in the Form A filing would substantially lessen competition or tend to create a monopoly in the State of Oklahoma.

9. That no evidence was submitted that the financial condition of the Applicant was such that it would jeopardize the financial stability of MUSIC or the interests of present or future policyholders of MUSIC.

10. That the terms of the acquisition of MUSIC are fair and reasonable based upon the information contained in the Form A Statement as filed with the Insurance Commissioner and testified to at the Hearing.

11. That the future plans the Applicant intends for the Oklahoma domestic insurer, MUSIC, appear to be fair and reasonable and in the public interest based upon the information contained in the Form A Statement as filed with the Insurance Department and as testified at the Hearing.

12. That no evidence was submitted that the competence, experience and integrity of the persons who will control the insurer post acquisition are such that the interests of the public, or future policyholders of the domestic insurer, MUSIC, will be affected adversely by the transactions described herein.

13. That MUSIC would qualify for licensure as a foreign insurer in Oklahoma immediately following the redomestication to the State of New Jersey and the redomestication would not be contrary to the interest of the policyholders of Oklahoma.

14. By the preponderance of evidence, there was no evidence presented that contradicted the foregoing conclusions of law.

**ORDER**

**THEREFORE**, no criteria for disapproval specified in 36 O.S.2011 §1653(d) (1) having been found, nor any grounds for disapproval set forth in 36 O.S. 2011§ 606.1(B) having been found, **IT IS HEREBY ORDERED** that the Application of the Selective Insurance Group, Inc., to acquire Montpelier U. S. Insurance Company and to redomesticate it to the State of New Jersey, is hereby **APPROVED** effective as of the date of the Hearing, and that, upon the effective date of such redomestication, as approved by the New Jersey Department of Banking and Insurance, the certificate of authority issued to Montpelier U.S. Insurance Company as a domestic insurer will be cancelled and an amended certificate of authority as a foreign insurer will be issued to Montpelier U.S. Insurance Company.


**WITNESS MY HAND** and official seal this 19th day of December, 2011.



**JOHN DOAK  
INSURANCE COMMISSIONER  
STATE OF OKLAHOMA**

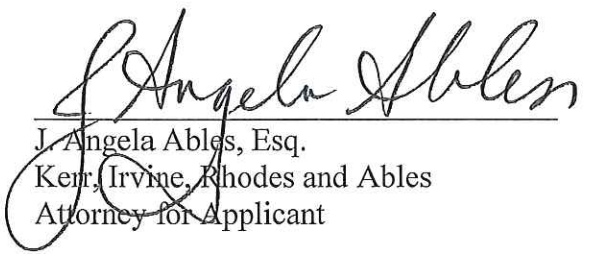
By *Leamon Freeman*  
**Leamon Freeman, Esq.  
Hearing Officer**

**APPROVED AS TO FORM:**



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Kelley C. Callahan, Esq.  
Senior Attorney  
Oklahoma Insurance Commissioner's Office



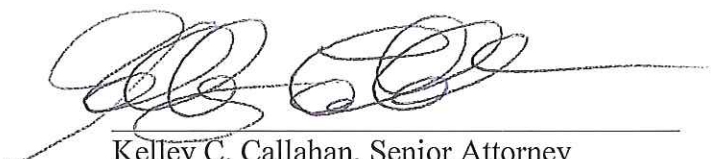
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J. Angela Ables, Esq.  
Kerr, Irvine, Rhodes and Ables  
Attorney for Applicant

**CERTIFICATE OF MAILING**

19<sup>th</sup> I hereby certify that a true and correct copy of the foregoing Order was mailed on the  
     day of December, 2011, postage pre-paid to the following:

J. Angela Ables  
Attorney for Applicant  
Kerr, Irvine, Rhodes and Ables, P.C.  
201 Robert S. Kerr, Suite 600  
Oklahoma City, Oklahoma 73102



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Kelley C. Callahan, Senior Attorney  
Oklahoma Insurance Commissioner's Office