

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF)
CONTROL OF ALLEGHENY CASUALTY)
COMPANY BY FRANCIS L. MITTERHOFF,) ORDER APPROVING
ROBERT LOUIS KERSNICK, JR., JAMES) ACQUISITION
DAVID PORTMAN, AND DAVID SMITH)

I have read the Hearing Officer’s report dated December 10, 2020 regarding the above-captioned matter, and I concur with the recommendation contained therein. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of Francis L. Mitterhoff, Robert Louis Kersnick, Jr., James David Portman, and David Smith to acquire control of Allegheny Casualty Company. The proposal was submitted by Francis L. Mitterhoff (“Mitterhoff”), Robert Louis Kersnick, Jr. (“Kersnick”), James David Portman (“Portman”), and David Smith (“Smith”) (collectively “the applicants”) to acquire control of Allegheny Casualty Company (“ACC”). ACC is New Jersey-domiciled property and casualty insurance company specializing in a variety of surety bonds, including bail. ACC is a wholly owned subsidiary of Chestnut Group, Inc. (“Chestnut”), which is a wholly owned subsidiary of IAT Insurance Group, Inc. (“IAT”). Chestnut is the owner of 100 percent of ACC’s authorized, issued, and outstanding capital stock. IAT ultimately owns all of ACC’s authorized, issued and outstanding capital stock through IAT’s 100 percent ownership of Chestnut. AIA Holdings, Inc. (“AIA”) is a Delaware-domiciled corporation that owns and operates bail bond agencies across the country. AIA’s subsidiary agencies are appointed agencies of various insurance carriers including ACC. AIA’s capital stock is currently owned by IAT, Mitterhoff, Kersnick, Portman, and Mark Francis (“Francis”). All participants involved in the

transaction will be referred to collectively as “the parties”. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of the applicants to acquire control of ACC subject to the following conditions:

1. **NO DIVIDENDS.** Refrain from declaring and/or paying any dividends (ordinary or extraordinary), without the express prior approval of the Commissioner of Banking and Insurance (“Commissioner”) for a period of three (3) years from the consummation of the transaction. Chestnut shall not make Allegheny declare or pay dividends, make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of Chestnut, if any, without the express prior approval of the Commissioner for a period of three (3) years.

2. **MAINTAIN RBC.** For a period of five (5) years from the consummation of the transaction, Chestnut shall cause Allegheny to maintain a minimum Authorized Control Level Risk Based Capital (RBC) level of 300% or higher at all times.

3. **NO MATERIAL CHANGE TO BUSINESS.** (a) Upon the consummation of the transaction, Chestnut shall refrain from the following actions: (i) liquidating Allegheny; (ii) selling any material portion of the assets of Allegheny; (iii) merging Allegheny with any other person or persons; or (iv) making any other material change with regard to business, corporate structure, management or general plan of operations of Allegheny, all without the express prior approval of the Commissioner. (b) Except to the extent authorized or required by a regulatory authority with applicable jurisdiction, upon the consummation of the transaction, Chestnut shall refrain from the following actions: (i) liquidating the Allegheny in NJ; (ii) selling any material portion of the assets of the Allegheny in NJ; (iii) merging the Allegheny NJ

with any other person or persons; and (iv) making any other material change specific to the New Jersey business of the Allegheny in NJ

4. Allegheny will maintain any service agreement necessary to conduct its business in New Jersey by retaining its existing management team and without any reduction of current staffing levels within the state, so as to conduct its business, for a minimum of three (3) years from the consummation of the transaction.

12/10/2020
Date



Marlene Caride
Commissioner