

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	ORDER APPROVING
OF CONTROL OF WATFORD INSURANCE)	ACQUISITION
COMPANY AND WATFORD SPECIALTY)	
INSURANCE COMPANY BY WP)	
WINDSTAR INVESTMENTS LTD,)	
WARBURG PINCUS (Callisto) GLOBAL)	
GROWTH (Cayman), L.P., WARBUS PINCUS)	
(Europa) GLOBAL GROWTH (Cayman), L.P.,)	
WARBURG PINCUS GLOBAL GROWTH-B)	
(Cayman), L.P., WARBURG PINCUS)	
GLOBAL GROWTH-E (Cayman), L.P.,)	
WARBURG PINCUS FINANCIAL SECTOR)	
(Cayman), L.P., WARBURG PINCUS)	
(Cayman) FINANCIAL SECTOR GP, L.P.,)	
WARBURG PINCUS (Cayman) FINANCIAL)	
SECTOR GP LLC, WARBURG PINCUS)	
(Cayman) GLOBAL GROWTH GP, L.P.,)	
WARBURG PINCUS (Cayman) GLOBAL)	
GROWTH GP LLC, WARBURG PINCUS)	
PARTNERS II (Cayman), L.P., AND)	
WARBURG PINCUS (Bermuda) PRIVATE)	
EQUITY GP LTD.)	

I have read the Hearing Officer's report dated June 24, 2021 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 Warburg Pincus (Bermuda) Private Equity GP, Ltd., Warburg Pincus Partners II (Cayman), L.P., Warburg Pincus (Cayman) Global Growth GP LLC., Warburg Pincus (Cayman) Global Growth CP, L.P., Warburg Pincus (Cayman) Financial Sector GP LLC, Warburg Pincus (Cayman) Financial Sector GP, L.P., Warburg Pincus Financial Sector (Cayman), L.P., Warburg Pincus Global Growth-E (Cayman), L.P., Warburg Pincus Global Growth-B (Cayman), L.P., Warburg Pincus Global (Europa) Global Growth (Cayman), L.P., Warburg Pincus (Callisto) Global Growth (Cayman), L.P., and WP Windstar

Investments Ltd., (collectively the “Applicants”), to acquire control of Watford Insurance Company (“WIC”) and Watford Specialty Insurance Company (“WSIC”) (collectively “the Domestic Insurers”). subject to the following conditions:

1. **NO USE OF NEW JERSEY FUNDS FOR ACQUISITION.** Upon consummation of the transaction, the parties shall: (a) Assets: not dispose of or otherwise use assets of the Domestic Insurers and/or any other subsidiaries of the parties, if any, that are licensed, authorized or certified by the New Jersey Department of Banking and Insurance (“Department”) to transact business in New Jersey for the purpose of repaying any debt incurred, to finance the transaction, use no part of the assets of the Domestic Insurers to pay, reimburse, or otherwise fund both the cash financing portion of the transaction and the debt related to the financing of the transaction except, with respect to this clause (a) as approved or otherwise permitted by the relevant agency with regulatory authority; (b) Costs: not pass onto the Domestic Insurers any acquisition costs or other consideration, including without limitation executive compensation paid to or accrued for the benefit of any executive officers of the parties in connection with, or triggered by, the transaction; (c) No Dividends: refrain from causing Domestic Insurers to declare and/or pay any dividends (ordinary or extraordinary), make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of the parties in New Jersey, if any, 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.

2. **MAINTAIN RBC AND LIQUIDITY RATIO.** For a period of five (5) years from the consummation of the transaction, the Applicants shall direct their respective representatives on the board of directors to cause the Domestic Insurers to maintain a minimum

Authorized Control Level Risk Based Capital (RBC) level of 300%, or higher at all times and a liquidity ratio at or below 100%.

3. **NEW JERSEY BUSINESS.** The Applicants shall be committed to having the Domestic Insurers seek opportunities to write new business in New Jersey.

4. **NO MATERIAL CHANGE TO BUSINESS.** Upon the consummation of the transaction, the Applicants shall refrain from the following actions: (i) liquidating the Domestic Insurers; (ii) selling any material portion of the assets of the Domestic Insurers; (iii) merging the Domestic Insurers 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 the Domestic Insurers, all without the express prior approval of the Commissioner.

5. The Domestic Insurers will maintain their existing service levels and will not reduce current staffing levels within the state, if any, for a minimum of three (3) years from the consummation of the transaction.

6. **CYBERSECURITY.** The Applicants and the Domestic Insurers shall provide the Department with confidential access to the cybersecurity plan for the information systems used by or on behalf of the Domestic Insurers for review as a part of the state examination pursuant to N.J.S.A. 17:27A-5, 17:27A-6, and 17:50-8 commencing in 2020. They shall provide notice to the Department when and if a cybersecurity breach takes place on such systems and shall work with the Department to protect New Jersey policyholders if they are affected. They shall take no action to oppose regulation and/or legislation regarding cybersecurity, the same as or substantially similar to, the Insurance Data Security Model Law adopted by the National Association of Insurance Commissioners (“NAIC”). They shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

7. **TAX SHARING AGREEMENTS TO BE FILED AS MATERIAL MODIFICATIONS.** After the closing date of the acquisition, if any of the parties to the transaction desire to amend, change, terminate or replace its tax sharing agreements, as previously filed with and approved by the Department, the parties, if applicable, shall file any changes to those tax sharing agreements as a Notice of Material Modification in accordance with the standards set forth at N.J.S.A. 17:27A-3, N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.3, and N.J.A.C. 11:1-35.7, N.J.A.C. 11: 1-35.10.

8. **NO PUSH-DOWN OF GOODWILL FROM THE APPLICANTS AND DOMESTIC INSURERS.** The Applicants and the Domestic Insurers shall not use any form of push-down accounting methods that result in the transfer or allocation of any of the parties' or Domestic Insurers' goodwill to or from the Domestic Insurers, including goodwill related to this Acquisition.

9. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place no later than 90 days after approval of this Form A filing.

10. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

11. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to N.J.S.A. 17:27A-1 to 14 and N.J.A.C. 11:1-35.1 to 35.14.

12. The Applicants shall provide regulatory information to the Department in accordance with New Jersey's Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 et seq., annually

and upon occurrence, including but not limited to, any development in ownership interests such that any person or entity possesses via in singular or aggregation of interests control as defined in N.J.S.A 17:27A-1. Failure to comply with New Jersey's Insurance Holding Company Systems Act shall result in appropriate action by the Department including but not limited to the placing of the insurer under an order of supervision in accordance with N.J.S.A. 17:51A-1 et seq., as determined.

13. The Department acknowledges receipt of the Disclaimer of Affiliation as defined in the Warburg Pincus Form A Statement and acknowledges Applicants' representation that the relation described therein Item 2 will not be under the presumption of control with respect to the Domestic Insurers. The Applicants shall provide written notification immediately to the Department if, for any reason, the representations made in Item #2 of the Form A filing change. The Department reserves its rights pursuant to N.J.S.A. 17:27A-1 et seq. based upon a change in circumstances as they develop.

14. Following the acquisition, the Domestic Insurers shall continue to maintain their books and records in their current approved locations and shall make all such items available for inspection by the Department at any time.

15. The Applicants acknowledge that all debt, if any, of the Domestic Insurers will be paid in full at the time of the transaction.

16. Annual Audited Financial Statements. Beginning with the year ended December 31, 2021, the respective parties agree to file annually the following on a confidential basis with the Department:

(a) Watford Insurance Company and Watford Specialty Insurance Company annual audited financial statement in accordance NAIC guidelines;

(b) Watford Holdings, Ltd. annual audited financial statement within 90 days after fiscal year end. Financial statements are required to be in accordance with United States generally accepted accounting principles.

(c) Arch Capital Group, Ltd annual audited financial statement within 90 days after fiscal year end. Financial statements are required to be in accordance with United States generally accepted accounting principles.

17. Applicants agree to notify the Department if any representations regarding the Disclaimer of Control change materially from that which is currently disclosed in the Disclaimer.

18. If the proposed acquisition is not consummated within ninety (90) days of the date of this Order and the Applicants intend to consummate the proposed acquisition, the Applicants shall submit to the Commissioner a statement requesting an extension and shall include (i) the reason for the Applicants' inability to consummate the proposed acquisition; (ii) any material changes in the information contained in the application; and (iii) the current financial statements of the Applicants and Domestic Insurers. Any and all extensions shall be with the written approval of the Commissioner.

19. The Applicants represent that, except as disclosed in the Form A filing, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over the Domestic Insurers or their subsidiaries have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

20. The Applicants represent that, other than as described in Item 5 of the Form A Statement, the Applicants currently do not have, nor do the Applicants currently contemplate, any plans or proposals to liquidate the Domestic Insurers, sell any of the Domestic Insurers' assets, merge or consolidate the Domestic Insurers with any person or persons, cause the Domestic

Insurers to declare a dividend or any other distribution, or make any other material change in the Domestic Insurers' business operations or corporate structure or management.

21. If the Department determines that any individual for whom the Applicants are required to submit background information as part of this Application is unacceptable under New Jersey Law, the Applicants or their representatives, and the Domestic Insurers shall remove the individuals in question within 30 days of notice and replace them with a person or persons acceptable to the Department, or shall undertake such other corrective action as directed by the Department. Failure to act would render the acquisition hazardous or prejudicial to the insurance buying public, pursuant to N.J.S.A. 17:27A-2(d)(1)(vii). Accordingly, the Department may take administrative action as it deems appropriate upon the Certificates of Authority of the Domestic Insurers pursuant to applicable law.



June 25, 2021
Date

Marlene Caride
Commissioner

LC Watford by Pincus Acquisition Order/Orders