

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION	)	
OF CONTROL OF LANCER INSURANCE	)	ORDER APPROVING
COMPANY OF NEW JERSEY BY CORE	)	AQUISITION
SPECIALTY INSURANCE HOLDINGS,	)	
INC., CORINTHIAN DF HOLDINGS	)	
AND AFFILIATED ENTITIES,	)	
CAVELLO BAY REINSURANCE LIMITED	)	
AND AFFILIATED ENTITIES AND DAVID	)	
DELANEY, JR. AND OXFORD GROUP, LLC	)	

I have read the Hearing Officer’s report dated December 1, 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 Core Specialty Insurance Holdings, Inc., Corinthian DF Holdings and affiliated entities, Cavello Bay Reinsurance Limited and affiliated entities and David Delaney, Jr. and Oxford Group, LLC (collectively, the “Applicants”) to acquire control of Lancer Insurance Company of New Jersey (“the Domestic Insurer”) 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 to dispose of or otherwise use assets of the Domestic Insurer 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 Insurer 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 to pass onto the Domestic Insurer 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) Rates: not seek premium rate increases applicable to New Jersey insureds that are intended to be used, or are used, to pay for the cost of the transaction. Applicant shall take steps to ensure that premiums and cost sharing obligations payable (including copayments and deductibles) by New Jersey Insureds for products offered by Applicant's Insurer in New Jersey, if any, shall not increase as a result of costs incurred in financing, analyzing and /or consummating the Proposed Acquisition ("Acquisition Costs"). (Such Acquisition Costs include, but are not limited to, attorney's and investment bankers' fees, loans expenses, travel expenses, due diligence expenses, execution compensation expenses, of any form and expenses related to current or future acquisitions by Applicant/Domestic Insurer); (d) No Dividends: refrain from causing Domestic Insurer 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 Insurer 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. CYBERSECURITY. The Applicants and the Domestic Insurer shall provide the Department with confidential access to the cybersecurity plan for the information systems used by or on behalf of the Domestic Insurer 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 2021. 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.

4. 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.

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

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

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.

7. NO MATERIAL CHANGE TO BUSINESS. Upon the consummation of the transaction, the Applicants, by way of any representative on the board of Directors of the Domestic Insurer it designates, shall refrain from the following: (i) liquidating the Domestic Insurer; (ii) selling any material portion of the assets of the Domestic Insurer; (iii) merging the Domestic Insurer with any other person or persons; or (iv) making any other material change (not disclosed in the Form A Statement of Change in Control and Exhibits or those effected in the ordinary course of business) with regard to business, corporate structure, management or general plan of operations of the Domestic Insurer, all without the express prior approval of the Commissioner.

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 Insurer, sell any of the Domestic Insurer's assets, merge or consolidate the Domestic Insurer with any person or persons, cause the Domestic Insurer to declare a dividend or any other distribution, or make any other material change in the Domestic Insurer's business operations or corporate structure or management.

8. 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.

9. The Applicants shall provide regulatory information to the Department in accordance with New Jersey 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.

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

11. Following the acquisition, Applicant shall direct their representatives on the board of directors of the Domestic Insurer to use reasonable efforts or if required to vote to cause the Domestic Insurer to continue to maintain its books and records in their current approved locations and shall make all such items available for inspection by the Department at any time.

12. 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) Lancer Insurance Company of New Jersey annual audited financial statement in accordance with NAIC guidelines;

(b) Lancer Financial Group, LLC 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) Ultimate controlling person of Domestic Insurer per New Jersey Insurance Holding Company Systems Act N.J.S.A. 17:27A-1 et seq. 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.

13. CONSUMMATION OF ACQUISITION OF CONTROL. 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. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

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 Insurer. Any and all extensions shall be with the written approval of the Commissioner.

14. 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 Insurer or their subsidiaries will or have been found guilty of, or will or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

15. The Applicants agree to provide required Third Party Verification report for S. Beesley completed following NAIC and Department guidelines; within 90 days of approval of this Form A filing.

16. The Applicants agree to submit New Jersey State Police background check requests for all officers and directors listed in Exhibits C-1, C-2, C-3 (as of October 22, 2021), C-4, and C-5 of the Form A Statement dated May 14, 2021, within 90 days of approval of this Form A filing, unless the Commissioner grants an extension for good cause shown.

17. 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 Insurer 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 Insurer pursuant to applicable law.

18. Applicants represent they have or will have obtained all the required regulatory approvals in connection with the Form A filing. Approval of the Form A filing does not constitute approval or acceptance of any transactions or agreements which are either implicitly or explicitly disclosed in the Form A filing.

12/10/2021  
Date



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Marlene Caride  
Commissioner

JR LICNJ by Core Specialty Order/Orders