

DEC 22 2017

FILED

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

IN THE MATTER OF THE)	FINDINGS OF FACT, CONCLUSIONS
ACQUISITION OF CONTROL OF)	OF LAW, AND ORDER
STONETRUST COMMERCIAL)	
INSURANCE COMPANY)	CAUSE NO.: C-2364
)	

On October 12, 2017, Wintaai Holdings Ltd. (“Applicant”) filed an application (“Form A”) seeking approval to acquire control of Stonetrust Commercial Insurance Company (“Stonetrust”), a Nebraska domestic insurer. The application was filed, and supplemented, pursuant to the Insurance Holding Company System Act, Neb. Rev. Stat. §§ 44-2120 to 44-2153 (“Act”), with the final supplement being received on December 4, 2017. Applicant waived the notice requirements set forth in Neb. Rev. Stat. §§ 44-2120 to 44-2153, including but not limited to the notice provisions of Neb. Rev. Stat. § 44-2127. A Notice of Public Hearing was issued on December 13, 2017.

On December 21, 2017, a public hearing was held at the Nebraska Department of Insurance (“Department”). Director of the Nebraska Department of Insurance, Bruce R. Ramge presided over the hearing. Brandis Bauer, a licensed Notary Public, was present and recorded the hearing. Matt Holman, General Counsel, and Justin Schrader, Chief Financial Examiner, represented the Department.

Applicant was present and represented by outside counsel Lawrence Harr, Lamson, Dugan and Murray, LLP. Applicant presented testimony in favor of the acquisition through Francis Chou, Chief Executive Officer and Director of Applicant and the proposed ultimate controlling person of Stonetrust. Exhibits were offered by Applicant, and by the Department, and received into the record. Applicant provided

Stonetrust with notice of the hearing, and Stonetrust waived the notice requirement as set forth in Neb. Rev. Stat. § 44-2127(2) in an effort to expedite the review and hearing process. No testimony or documentary evidence was offered in opposition to the proposed acquisition.

On the basis of the filings, correspondence and information provided to the Department, the Director approves the application and finds, concludes, and recommends as follows:

FINDINGS OF FACT

1. On October 12, 2017, the Department received a verified Form A from Applicant for approval to acquire control of Stonetrust through a Stock Purchase Agreement. The application and subsequent amendments were filed pursuant to the Act, specifically § 44-2126. The Stock Purchase Agreement will result in Applicant gaining control of Stonetrust as control is defined in the Act.

2. Stonetrust is a domestic insurer organized under and governed by the laws of the State of Nebraska. Stonetrust obtained its Certificate of Authority to transact the business of property and casualty insurance in this state on August 30, 2016. Stonetrust is currently a stock-based property and casualty insurance company.

3. Applicant is a holding company formed under the laws of the Province of Ontario for the purposes of purchasing Stonetrust through a Stock Purchase Agreement. Applicant is a wholly-owned subsidiary of Chou Associates Management Inc. (“Chou Associates”), an Ontario domiciled investment fund management company. Chou

Associates is wholly-owned by Francis Chou, making Francis Chou the ultimate controlling person of Applicant.

4. Following the transaction, Stonetrust will be a direct wholly-owned subsidiary of Applicant, and therefore, Francis Chour will be the ultimate controlling party of Stonetrust.

5. On September 29, 2017, Applicant, Stonetrust, and Dhando Holdings Corp., the current 100% shareholder of Stonetrust, executed a Stock Purchase Agreement. The Stock Purchase Agreement provides for the transaction to close as soon as practical following, among other things, the proper regulatory approval of the Nebraska Department of Insurance.

6. The Stock Purchase Agreement provides for Applicant to acquire 100% of the issued and outstanding capital stock of Stonetrust. The purchase price will be paid in cash through a series of payments. A payment of \$40 million will be made at closing with an additional cash payment of the lesser of \$15 million and the amount in which the closing book value of the company exceeds \$48 million to be made on the later of April 1, 2018 or the date that is 135 days after closing. Additionally, payments in the amount of \$2 million will be made on the first, second and third anniversaries of the closing date, and a final cash payment on the fourth anniversary date of closing in the amount of \$2 million plus any amount by which the closing book value exceeds \$63 million. This purchase price is subject to adjustment based on the actuarial analysis of the reserves of the company for unpaid losses and loss adjustment expenses.

7. No changes to the Articles of Incorporation and Bylaws of Stonetrust will be made as a result of the acquisition. Applicant has identified the change of two of Stonetrust's directors post-acquisition. The executive officers of Stonetrust will not change as a result of the acquisition. Other than in the normal course of business, Applicant has no plans or proposals to cause Stonetrust to declare an extraordinary dividend, to liquidate Stonetrust, or to sell its assets to any person or persons. Applicant has no plans to make any material changes to the business or operations of Stonetrust.

8. Applicant has filed all the documents and information required by law and requested by the Department.

CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received and evidence presented at the hearing, the Director concludes as follows:

- a. After the acquisition, Stonetrust will satisfy the requirements for a Certificate of Authority to conduct business of insurance in the State of Nebraska and write the lines of insurance for which it is presently licensed.
- b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.
- c. The financial condition of Applicant is such that it would not jeopardize the financial stability of Stonetrust or prejudice the interest of the policyholders of Stonetrust.
- d. Applicant has no plans or proposals to liquidate Stonetrust, to sell the assets of Stonetrust without the approval of the Department, to consolidate or merge Stonetrust with any person or persons without

approval of the Department, or to make any other material change in the business operations or corporate structures or management which would be unfair and unreasonable to policyholders of Stonetrust and not in the public interest.

- e. The competence, experience and integrity of those persons who would control the operation of Stonetrust are such that it would be in the interest of the policyholders of Stonetrust and the public to allow the acquisition.
- f. Applicants are not subject to the provisions of Neb. Rev. Stat. § 44-6115 under the Demutualization Act; and
- g. The acquisition of control is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that the Form A Application be approved subject to the following condition:

Within fifteen (15) days after the end of the month in which the transaction closes, Applicant shall cause to be filed with the Department an Insurance Holding Company System Registration Statement, and any other filings required, in accordance with Neb. Rev. Stat. § 44-2132, et seq.

Dated this 22 day of December, 2017

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



BRUCE RAMGE
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Francis Chou, Wintaai Holdings Ltd., 110 Sheppard Ave. East, Suite 301, Box 18, Toronto, ON M2N 6Y8, and to Lawrence Harr, Lamson, Dugan and Murray LLP, 10306 Regency Parkway Dr., Omaha, NE 68114, by U.S. Mail, postage prepaid, on this 22 day of December, 2017.

A handwritten signature in blue ink that reads "Brandis J. Bauer". The signature is written in a cursive style and is positioned above a horizontal line.