



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

Wisconsin.gov

February 22, 2016

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MR WILLIAM J TOMAN  
QUARLES & BRADY LLP  
33 EAST MAIN STREET  
SUITE 900  
MADISON WI 53703

Re: Form A – Acquisition of control of Northwestern National Insurance Company of Milwaukee, Wisconsin by SOBC Gamma Holding Company Limited

Dear Mr. Toman:

The State of Wisconsin Office of the Commissioner of Insurance (“OCI”) has completed an initial review of the above-referenced Form A filing submitted on February 4, 2016 by SOBC Gamma Holding Company Limited (“Applicant”). Our review identified certain items requiring follow-up, as indicated below. To ensure that the Form A review continues to move forward expeditiously, please provide the following information at your earliest convenience:

1. Form A Contact – New York: Please provide the name and contact information for the primary contact at the New York Dept. of Financial Services for the Form A filing pertaining to the acquisition of control of Compass Insurance Company by the Applicant.
2. SOBC Corp.:
  - (a) Governance Documents: We understand that SOBC Corp., the direct parent company of the Applicant, was formed on August 1, 2014. Please provide a copy of SOBC Corp.’s Articles of Incorporation and Bylaws.
  - (b) Financial Statements – SOBC Corp.: The Unaudited Consolidated Balance Sheet as of December 31, 2015 shows negative shareholder’s equity in the amount of [REDACTED]. Please discuss how SOBC Corp. plans to fund any operating deficits going forward, and how the recently acquired insurance companies will be protected from any capital deficits at the holding company level. [Include the source(s) of available capital, the nature of the capital (debt financing or equity), and the anticipated \$ amount of capital available from each source.]
3. SOBC Holdings Plc:
  - (a) Governance Documents: We understand that SOBC Holdings Plc, the ultimate parent company of the Applicant, was incorporated in the United Kingdom in 2014. Please provide copies of SOBC Holdings Plc’s governing documents (e.g. – Memorandum of Association (or Charter), Articles of Association, and Form 1).
  - (b) Public or Private: Please discuss whether SOBC Holdings Plc is publicly traded or privately held. If publicly traded, please indicate which stock exchange SOBC Holding Plc is listed on (along with the ticker symbol).

- (c) Financial Statements – SOBC Holdings Plc: The consolidated financial statements provided were as of September 30, 2015. Please provide the following information for SOBC Holdings Plc:
- (1) Current Financial Statements: Consolidated financial statements as of December 31, 2015 (or the most current financial statements available).
  - (2) Loan Notes: The Balance Sheet shows "Loan Notes" in the amount of ██████ GBP, which comprise the bulk of SOBC Holdings Plc's equity. Please provide the following information:
    - a.  Holders: Please provide a list of the individuals who hold these loan notes, along with the amount of each Loan Note outstanding by individual.
    - b.  Loan Note Terms: Please discuss the payment terms on these Loan Notes, and whether there is a conversion option.
    - c.  Equity vs. Debt: Please explain why these securities are reported as Equity (as opposed to Debt) under IFRS.
4. Ownership: Please identify all individuals who own (directly or beneficially) █████% or more of SOBC Holdings Plc's voting securities. For each individual listed:
- (a) Please submit a biographical affidavit (if not previously submitted).
  - (b) Please submit a disclaimer of control pursuant to s. 600.03 (13), Wis. Stats.
5. SOBC Ins Co Ltd. and SOBC Services Company Ltd.: Please provide a narrative discussing the business purpose of these affiliated companies, and explain the dotted-line relationship between SOBC Ins Co Ltd and SOBC Alpha Insurance Co. Ltd.
6. Biographical Affidavit – Thomas Hodson: The Biographical Affidavit for Thomas Hodson states that he owns █████% of SOBC Holdings Plc, and as such, he will beneficially own 4.95% of the stock of NNIC post-transaction. Please explain – if all entity's listed on the organizational chart (Appendix 2) are wholly-owned by SOBC Holdings Plc, why will Mr. Hodson beneficially own 4.95% (and not █████%)?
7. Contingent Liabilities: Schedule 2.01 of the Stock Purchase Agreement lists a number of potential contingent liabilities, which may or may not be reflected or disclosed in the statutory financial statements of Northwestern National Insurance Company of Milwaukee, Wisconsin. Please provide a complete list of all contingent liabilities currently known (including the basis/origin), along with the estimated settlement amount.
8. Prior Experience: The Form A states that the Applicant is a subsidiary of SOBC Corp., which specializes in the acquisition and management of distressed or run-off insurance or reinsurance entities, and that, to date, SOBC Corp. and its predecessor have acquired six companies in run-off. Please provide the following information for each of the six companies:
- (a) The name of the insurance company acquired (and the state of domicile)
  - (b) The date of the acquisition
  - (c) The SOBC executives who were involved in the transaction
  - (d) The name and contact information (phone # and email) of the state regulator(s) who are familiar with the transaction
  - (e) The ultimate resolution (i.e. – was the company liquidated, sold, etc.)

9. Financial Projections – NNIC:

- (a) Income Statement: Please provide a line-item breakout of underwriting/administrative expenses for each of the 3 years.
- (b) Assumptions: Please provide the key assumptions underlying the financial projections (i.e. – Why are Loss and LAE Reserves expected to decline by █% over the 3 year period? Why are Other Liabilities expected to decline by █%? What is driving any decrease in underwriting/administrative expenses?).
10. Financial Advisor's Opinion: Please discuss whether the Seller (Armco Insurance Group, Inc.) worked with a financial, tax, or valuation firm to assess the fairness of the consideration (one dollar). If so, please provide the name of the firm, along with a copy of the financial advisor's written opinion as to the fairness of the consideration.
11. Stockholder Approval: Please discuss whether the proposed transaction requires the approval by the AK Steel shareholders? If yes, please provide a certified copy of the shareholder resolution approving the transaction.
12. Intercompany Services Agreement: Exhibit B states that, in consideration of the Services provided under the Agreement, Insurer shall reimburse Provider for the actual costs and expenses incurred by Provider in undertaking the Services on behalf of Insurer.

Please provide a narrative describing the methodology that will be used to allocate costs, and how that methodology conforms with statutory accounting principles.

Please feel free to call me at (608) 266-9896, or e-mail me at [kristin.forsberg@wisconsin.gov](mailto:kristin.forsberg@wisconsin.gov), should you have any questions.

Sincerely,



Kristin L. Forsberg, CPA, CFE  
Insurance Financial Examiner/Company Licensing Specialist  
Bureau of Financial Analysis and Examinations  
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