

Form A

STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF

The Hanover New Jersey Insurance Company
(the “Insurer”)

by

XLNT Holdco Inc.
(the “Assignee-Applicant”)

Filed with the Insurance Department of the State of New Hampshire

Dated: September 14, 2022

This document including exhibits hereto contains strictly confidential and proprietary information, and its contents constitute trade secrets and proprietary commercial and financial information. The above Applicant hereby claims exemption of the materials designated herein from disclosure to the public pursuant to Section 401-B:3 etc. of the New Hampshire Insurance Code. The designated portions of this document, including the exhibits hereto, should not be reproduced nor its contents directly or indirectly shared with any person outside the required regulatory process in the State of New Hampshire.

Individuals to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

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With a copy to:

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This Statement regarding the Acquisition of Control of a Domestic Insurer (this “Statement”) seeks the prior approval of the Insurance Commissioner of New Hampshire (the “Commissioner”) for the acquisition of control (the “Proposed Acquisition”) of The Hanover New Jersey Insurance Company, a New Hampshire-domiciled stock property and casualty insurance company (the “Insurer”) by XLNT Holdco Inc., a Utah-domiciled holding company (the “Assignee-Applicant”), that is the assignee of a certain Stock Purchase Agreement between The Hanover Insurance Company, a New Hampshire-domiciled insurance company (the “Seller”) and Spearmint Specialty Holding Company LLC (“Spearmint”).

This Statement also details certain affiliate transactions involving the Insurer and certain of its current affiliates which the Insurer must enter into before the Proposed Acquisition can be effectuated. To the extent permissible under the New Hampshire insurance law and regulations (the “New Hampshire Insurance Code”), approval of the transactions and agreements noted in Item 1(b)(2), below, is hereby respectfully requested.

ITEM 1. METHOD OF ACQUISITION

(a) Insurer.

The name and address of the Insurer to which this Statement relates are:

The Hanover New Jersey Insurance Company

Statutory Home Office Address
4 Bedford Farms Drive, Suite 107
Bedford, NH 03310-6528

Executive Office Address
440 Lincoln Street
Worcester, MA 01653

The Insurer is currently active but is not writing new business. The Insurer is wholly owned by the Seller.

(b) Method of Acquisition.

(1) Purchase. The Proposed Acquisition will be implemented through a Stock Purchase Agreement (“Purchase Agreement”) between Seller and Spearmint dated December 15, 2021, a copy of which is attached hereto as **Exhibit 1**. All capitalized terms not otherwise defined herein shall have the definitions attributed to them in the Purchase Agreement. Pursuant to the Purchase Agreement, Spearmint has the right to acquire all of the Shares of the Insurer from the Seller for an amount equal to \$225,000 plus the Closing Admitted Assets, as determined and adjusted in accordance with Section 2.3 of the Purchase Agreement.

Consistent with the Purchase Agreement, the Proposed Acquisition is subject to (i) the receipt of approval of the New Hampshire Insurance Department (“NHID”); (ii) the Seller obtaining approval for and implementing the reinsurance arrangements necessary for the Insurer to be sold as a “clean shell” described in Item 1(b)(2), below; (iii) execution of the Amended and Restated Reinsurance Agreement and the Assumption and Administration Agreement described in Item 1(b)(2), below; and (iv) the remaining conditions set forth in the Purchase Agreement, including customary closing conditions for a transaction of this kind.

Spearmint will assign its interest in the Purchase Agreement (with the consent of the Seller) to the Assignee-Applicant. The assignment is not yet finalized, but will be submitted as soon as it is completed and will form part of **Exhibit 1**. The Assignee-Applicant was recently incorporated as a Utah-domiciled C-corporation. Assignee-Applicant does not currently undertake any other corporate activity other than its intended purpose to serve as the intermediate holding company for the Insurer.

Pursuant to Article XIII of the Purchase Agreement, either Seller or Applicant may terminate the Purchase Agreement in writing and upon mutual consent, or the parties may terminate, without fault of the other, if the closing has not occurred within 180 days after the date that the Purchase Agreement was executed. The Applicant may terminate the Purchase Agreement if any event occurs which, if uncured, would result in a downward Purchase Price adjustment with respect to all the Insurance Qualifications of the Insurer and such event has (x) not been cured or eliminated by Seller within sixty days following receipt by Seller of written notice thereof from Buyer or (y) waived by Applicant on or before the Closing Date. The Purchase Agreement may also be terminated upon a final, non-appealable order which precludes the consummation of the Proposed Acquisition, or if a change in the law makes the Proposed Acquisition illegal.

(2) Pre-Acquisition Reinsurance Transactions to Prepare Insurer for Sale. Prior to the Proposed Acquisition, the Seller will amend and restate the existing reinsurance agreement between Seller and Insurer covering all of the Insurer's existing insurance business in order that the Insurer may be sold as a "clean shell" to Applicant. To become a "clean shell", the Insurer will enter into certain reinsurance and assumption arrangements, described below, the form of which have been agreed to by the Seller and the Applicant.

Subject to the approval of the Commissioner, the Seller, a New Hampshire-domiciled insurer and Insurer will enter into the Amended and Restated Reinsurance Agreement (the "Reinsurance Agreement" in the form attached hereto at **Exhibit 1**) and the Assumption and Administration Agreement (the "Services Agreement" in the form attached hereto at **Exhibit 1**). Pursuant to the Reinsurance Agreement, the Seller will assume all of the rights, liabilities and obligations of Insurer for all pre-closing Reinsured Contracts, as such term is defined in that agreement. Pursuant to the Services Agreement, the Seller will assume all of the rights, liabilities and obligations of Insurer for the Assigned Assets and Assumed Liabilities, but not the Excluded Assets, as such terms are defined in that agreement.

(3) Pre-Acquisition Asset Level of Insurer. Subject to the approval of the Commissioner and pursuant to the terms of the Purchase Agreement, Seller will take commercially reasonable efforts to cause the Closing Admitted Assets as of the Closing Date to be at least equal to the statutory minimum.

ITEM 2. IDENTITY AND BACKGROUND OF THE ASSIGNEE-APPLICANT

(a) The Applicant

This Statement is made by Assignee-Applicant. The name and principal business address of the Assignee-Applicant is as follows:

XLNT Holdco Inc.
3785 South 700 East

(b) The Assignee-Applicant's Business Operations.

XLNT Holdco Inc. was recently incorporated by Poulton Associates, LLC (the "Investor") as a holding entity to facilitate management's insurance business plan. It is intended to be the parent of the Insurer and other operating entities and does not currently undertake any other corporate activity other than serving as a holding company.

(c) Assignee-Applicant's Organizational Chart

A chart presenting the identities of the interrelationships among the Assignee-Applicant and all insurance-related affiliates of the Assignee-Applicant, as well as the percentage of voting securities of each such person, is attached at **Exhibit 2**. Also forming a part of **Exhibit 2** are relevant organizational documents demonstrating ownership; Assignee-Applicant requests confidential treatment of certain upstream entities' organizational documents, which will be submitted under separate cover.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE ASSIGNEE-APPLICANT

Set forth in **Exhibit 3** are the names of the individuals who are currently the directors and executive officers of the Assignee-Applicant. Biographical Affidavits for each of the individuals listed on **Exhibit 3** have been submitted under separate as **Exhibit 4**. Assignee-Applicant requests confidential treatment of the biographical affidavits, which were submitted under separate cover.

None of the Assignee-Applicants' directors or executive officers has been convicted in the last ten years in a criminal proceeding (excluding minor traffic violations).

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Consideration and Source.

Pursuant to Section 2.2 of the Purchase Agreement, the purchase price of the Insurer is equal to \$225,000 (two hundred twenty-five thousand dollars) plus the Closing Admitted Assets Value of the Insurer, less the amount of the Deposit, as those terms are defined in the Purchase Agreement. The Purchase Price shall be adjusted in accordance with Section 2.3 of the Purchase Agreement.

Assignee-Applicant will acquire all of the Shares using the funds raised from the sale of \$6.5 million of preferred and/or common shares from the Investor. These shares will have 100% voting rights. The capital will provide sufficient funds for the Insurer to begin executing its new business plan, which includes expansion into other states.

Pursuant to the Purchase Agreement and as described above in Item 1(b)(3), prior to Closing Seller will separately seek approval from the Commissioner of an extraordinary dividend or recapitalization to reduce the amount of the Closing Admitted Assets so that at Closing the Closing Admitted Assets will at a minimum comport with the statutory minimum capital and surplus in New Hampshire and New Jersey, the two states in which the Insurer holds certificates of authority. The

authorities held by the Insurer under New Hampshire Group VII are monoline only in New Jersey and will be relinquished. Accordingly, the minimum capital and surplus required to maintain the Insurer's New Jersey certificate of authority is \$3.2 million in capital and \$2.1 million of surplus.

The Insurer has \$5 million in authorized capital. This amount exceeds the \$3.2 million required by New Jersey once the New Hampshire Group VII authorities are relinquished. Under New Jersey statute, the excess of share capital above the New Jersey minimum is considered by New Jersey to be surplus. Following the closing, the Insurer will have \$6.275 million in paid-in surplus. The Assignee-Applicant will provide additional paid-in surplus as required to meet the statutory levels in states where certificates of authority are sought and to achieve at least an A- rating in order to effect the Insurer's business plan.

(b) Arm's Length Negotiations.

The nature and amount of the total consideration to be paid in connection with the Proposed Acquisition were determined by arm's length negotiations among the parties to the Purchase Agreement.

ITEM 5. FUTURE PLANS OF INSURER

(a) Business Plan of the Insurer.

The Assignee-Applicant proposes to acquire the Insurer as a "clean shell" and expand its licenses in order to operate it throughout the United States as a specialty property and casualty insurer. Since *inter alia* the Insurer is currently not actively writing new business and all of its pre-Proposed Acquisition business will be reinsured as described in Item 1 hereof, none of the Insurer's existing management will be retained. Therefore, as required by Section 10.1 of the Purchase Agreement, at Closing, all existing officers and directors of the Insurer will resign. In addition, Seller will seek approval from the Commissioner to amend the existing inter-company agreements between Seller and Insurer to remove Insurer as a party to these agreements to reflect the fact that after Closing, Insurer will no longer be a member of Seller's group of companies.

After the Proposed Acquisition, the Insurer will be managed by officers of the current management of Assignee-Applicant. These individuals are listed on **Exhibit 3** who have submitted appropriate biographical affidavits under **Exhibit 4**.

Except as detailed in the Purchase Agreement and described herein, the Assignee-Applicant does not have any current plans or proposals to cause the Insurer to pay dividends or make other distributions, to liquidate such Insurer, to sell any of its assets, to merge or consolidate it with any person or persons, to make any other material changes in its business operations or corporate structure, or to cause the Insurer to enter into material agreements, arrangements, or transactions of any kind with any party, or to enter into any financial or employment guarantees with present or contemplated management.

(b) Operational Plan of Insurer.

Subject to approval of the Commissioner, the Insurer will become a direct subsidiary of Assignee-Applicant and will transact property and casualty insurance where licensed throughout the United States. The Insurer is currently licensed to transact in two (2) states. The Insurer will discontinue the

personal auto lines of business and will write only commercial lines for the foreseeable future. Finally, the Insurer will apply for the appropriate licenses in those states where it is not currently licensed.

The Assignee-Applicant plans to change the name of the Insurer to XLNT Insurance Company and requests approval of the desired new corporate name. Once the Commissioner assigns a docket number to this application, Assignee-Applicant will file a name reservation along with the requisite fee. Approval of the proposed amendment to the Insurer's Articles of Incorporation effecting said name change, as well as the proposed amendment to the Insurer's Bylaws reflecting said name change (both the proposed amended Articles of Incorporation and the proposed amended Bylaws are attached hereto as **Exhibit 5**) is also requested.

Subject to the approval of the Commissioner, the Investor will provide administrative services to the Insurer, such as underwriting, claims handling, investment management and facilities management. The Administrative Services Agreement governing the relationship between the Insurer and the Investor is attached hereto as **Exhibit 6**.

A detailed description of the business plan for the Insurer for the succeeding 36 months is contained in the Business Plan, attached hereto as **Exhibit 7**. Assignee-Applicant requests confidential treatment of the business plan, which will be submitted under separate cover

(c) Privacy.

After the Proposed Acquisition, the Insurer will transact specialty property insurance for corporate insureds throughout the United States. As such, the Insurer will obtain information "about companies or about individuals who obtain products or services for business, commercial, or agricultural purposes" within the meaning of N.H. Code Admin. R. Ins 3001.02. Since the Insurer's business will not deal in nonpublic personal financial information about individuals, it is exempt from the notice requirements of N.H. Code Admin. R. Ins 3001.02.

(d) Management.

As noted above, pursuant to Section 10.1 of the Purchase Agreement, all of the current officers and directors of the Insurer will resign at Closing. The executive officers and directors of the Insurer, after the Proposed Acquisition, will be as shown on **Exhibit 3**.

(e) Other Agreements or Arrangements with the Insurer.

With the exception of the agreements described herein and relating to the Proposed Acquisition, there are no arrangements or agreements, oral or written, entered into between the Insurer and the Assignee-Applicant in the preceding 12 months.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Proposed Acquisition will be effected pursuant to the Purchase Agreement, dated as of December 15, 2021, between the Seller and Spearmint. The Assignee-Applicant intends to directly acquire the Shares (10,000 shares of common stock, par value \$500.00 per share) of the Insurer, which represents all of the issued and outstanding stock of the Insurer. The terms of the Proposed

Acquisition were determined by arm's-length negotiation among the parties to the Purchase Agreement.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Except as provided pursuant to the Purchase Agreement and as discussed herein, neither Assignee-Applicant, nor any person controlling, controlled by or under common control with an Assignee-Applicant nor any person listed in **Exhibit 3** beneficially owns or has a right to acquire, directly or indirectly, beneficial ownership of any voting securities of the Insurer.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Except pursuant to the Purchase Agreement, including the exhibits thereto, and transactions contemplated thereby as discussed herein, there are no contracts, arrangements or understandings with respect to any voting securities of the Insurer in which the Assignee-Applicant or any person controlling, controlled by or under common control with the Assignee-Applicant or any person identified in **Exhibit 3** is involved, including, but not limited to, transfers of any of the voting securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

To the knowledge of the Assignee-Applicant, there have been no purchases, direct or indirect, during the twelve calendar months preceding the filing of this Statement of any voting securities of the Insurer by the Assignee-Applicant, nor any person controlling, controlled by or under common control with the Assignee-Applicant or any person listed in **Exhibit 3**.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Neither the Assignee-Applicant, nor any person controlling, controlled by or under common control with the Assignee-Applicant nor any person listed in **Exhibit 3**, nor anyone based upon interviews nor at the suggestion of the Assignee-Applicant, any person controlling, controlled by or under common control with the Assignee-Applicant nor any person listed herein have made recommendations to purchase any voting security of the Insurer during the twelve calendar months preceding the filing of this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of the Insurer for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a)(i) Exhibits

Exhibit Number	Document
1	Purchase Agreement <ul style="list-style-type: none">• Form of Amended and Restated Reinsurance Agreement• Form of Assumption and Administration Agreement• Assignment of Interest from Spearmint to Assignee-Applicant (to be filed)
2	Organizational Charts of Assignee-Applicant and relevant organizational documents (filed under separate cover)
3	List of Directors and Executive Officers of the Assignee-Applicant
4	Biographical Affidavits (filed under separate cover)
5	Proposed Articles of Amendment to Insurer's Articles of Incorporation and Proposed Amended Bylaws
6	Proposed Administrative Services Agreement
7	Insurer Business Plan, including 3-year pro forma financial statements (filed under separate cover)
8	Financial statements (filed under separate cover)

(a)(ii) Financial statements and projections of the Insurer.

The financial statements of the Insurer were previously filed with the NHID and the NAIC. Assignee-Applicant has provided pro forma financial statements for Insurer for the next three years, which are attached hereto as part of **Exhibit 7**.

(b) and (c) Annual financial statements of the Assignee-Applicant

Exhibit 8 contains the financial statements of Assignee-Applicant for the past three years, and a CPA letter indicating that the financial statements are true and correct, and have had no material changes since the date issued.

The financial statements of Assignee-Applicant since inception and a CPA letter indicating that the financial statements are true and correct, and have had no material changes since the date issued are not yet prepared and audited, as the Assignee-Applicant is a de novo company and is not yet funded. These financial statements will be provided to the Commissioner as soon as they are ready.

(d) Any additional documents

Not applicable.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Assignee-Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control occurs.

ITEM 14. SIGNATURE AND CERTIFICATION

Pursuant to the requirements of RSA 401-B:3, XLNT Holdco Inc. has caused this application to be duly signed on its behalf in the City of Stamford and State of Connecticut on the 14th day of September, 2022.

XLNT Holdco Inc.

By: 
Diane Nergaard
President

Attest:
By: 
K.W. Soldwedel
Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 14, 2022, for and on behalf of XLNT Holdco Inc.; that she is the President of such company and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

By: 
Diane Nergaard