

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF FIRST INDEMNITY OF)	
AMERICA INSURANCE COMPANY BY)	ORDER APPROVING
PALOMAR HOLDINGS, INC. AND)	ACQUISITION
PALOMAR INSURANCE HOLDINGS, INC.)	

I have read the Hearing Officer's report dated November 6, 2024 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 Palomar Insurance Holdings, Inc. ("PIH") and its parent Palomar Holdings, Inc. ("Palomar" or the "Ultimate Controlling Person") (each referred to hereafter as an "Applicant" and collectively, "Applicants") to acquire control of First Indemnity of America Insurance Company (NAIC# 38326) ("First Indemnity") subject to the following conditions:

1. NO USE OF NEW JERSEY FUNDS FOR ACQUISITION. Upon consummation of the transaction, Applicants shall not: (a) Assets: dispose of or otherwise use assets of First Indemnity and/or any other subsidiaries of First Indemnity, 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 First Indemnity, 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 as approved or otherwise permitted by the relevant agency with regulatory authority; (b) Costs: pass onto First Indemnity or New Jersey insureds any acquisition costs or other consideration, including without limitation executive compensation paid to or

accrued for the benefit of any executive officers of Applicants in connection with, or triggered by the transaction; (c) Rates: 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. Applicants shall take steps to ensure that premiums payable by New Jersey insureds for products offered by Applicants' Insurers in NJ, if any, shall not increase as a result of costs incurred in financing, analyzing and/or consummating the proposed acquisition of control ("Acquisition Costs"). (Such Acquisition Costs include, but are not limited to, attorneys' and investment bankers' fees, loan expenses, travel expenses, due diligence expenses, execution compensation expenses, of any form, and expenses related to current or future acquisitions by First Indemnity or the Applicants); (d) No Dividends: declare and/or paying any dividends (ordinary or extraordinary), 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. Applicants shall not make First Indemnity declare or pay dividends, make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of Applicants in NJ, if any, without the express prior approval of the Commissioner for a period of three (3) years.

2. MAINTAIN RBC AND LIQUIDITY RATIO. For a period of five (5) years from the consummation of the transaction, Applicants shall cause First Indemnity to maintain a minimum Authorized Control Level, Risk-Based Capital (RBC) level of 300% or higher at all times.

3. NEW JERSEY BUSINESS. The Applicants shall be committed to having First Indemnity seek opportunities to write new business in New Jersey. First Indemnity will maintain their existing service levels and will not reduce current staffing levels within this State, if any, for a minimum of three (3) years from the consummation of the transaction.

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

Applicants represent that, other than as described in Item 5 of the Form A Statement, Applicants currently do not have, nor do the Applicants currently contemplate, any plans or proposals to liquidate First Indemnity; sell any of First Indemnity' assets; merge or consolidate First Indemnity with any person or persons; cause First Indemnity to declare a dividend or any other distribution; or make any other material change in First Indemnity' business operations or corporate structure or management.

5. CYBERSECURITY. The Applicants and First Indemnity shall provide the Department with confidential access to its cybersecurity plan for review as a part of a state examination pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-6. The parties shall provide notice to the Department when and if a cybersecurity breach takes place and shall work with the Department to protect New Jersey policyholders if they are affected. The parties 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"). The parties shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

6. TAX SHARING AGREEMENTS TO BE FILED. Any Tax Sharing Agreements shall be filed as agreements between or among affiliates requiring regulatory approval prior to implementation pursuant to N.J.S.A. 17:27A–4 and shall comply with N.J.S.A. 17:27A–1 et seq. and implementing regulations set forth at N.J.A.C. 11:1–35.7 and N.J.A.C. 11:1–35.10.

7. NO PUSH–DOWN OF GOODWILL FROM FIRST INDEMNITY OR APPLICANTS. Applicants and First Indemnity shall not use any form of push–down accounting methods that result in the transfer or allocation of any of First Indemnity or Applicants’ goodwill, including goodwill related to this acquisition.

8. NEW JERSEY INSURANCE HOLDING COMPANY SYSTEMS ACT. 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.

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. CORPORATE RECORDS. First Indemnity shall continue to maintain its books and records in a manner consistent with pre–acquisition practices and shall make all such items available for inspection by the Commissioner at any time. Following the acquisition, the

Applicants shall continue to maintain its books and records in their current Department approved location or file an amendment with the Department to change its location within New Jersey.

10. Applicants shall assume First Indemnity' debt and it shall not be the responsibility of the Applicant's insurers in NJ to service such debt. All debt, if any, of First Indemnity will be paid in full at the time of the transaction.

11. **BACKGROUND OF APPLICANTS.** Applicants represent that none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over First Indemnity, or its 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.

The Applicants agree to provide any outstanding Third-Party Verification reports and Biographical Affidavits for individuals listed on the Form A Exhibits (specifically the "Officers and Directors Exhibits") within 60 days of approval of this Form A filing, unless the Commissioner grants an extension.

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 First Indemnity 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 Certificate of Authority of First Indemnity pursuant to applicable law.

12. ANNUAL AUDITED FINANCIAL STATEMENTS. Beginning with the year ended December 31, 2024, the respective parties agree to file annually the following on a confidential basis with the Department:

(a) First Indemnity' annual audited financial statement in accordance with NAIC guidelines; and,

(b) The Ultimate Controlling Person shall provide annual audited financial statement within 90 days after year end, as required by the New Jersey Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 et seq. Financial statements are required to be in accordance with United States generally accepted accounting principles or a comparable standard as approved by the Department.

13. CONSUMMATION OF ACQUISITION OF CONTROL. 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 but no later than 90 days after the date of this Order. 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 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 Form A filing; and (iii) the current financial statements of the Applicants and First Indemnity. Any extensions shall be with the written approval of the Commissioner.

14. 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 relates to the specific change of control requirements pursuant to New Jersey law only and is not a substitute for any other regulatory approval required. Further, the approval does not constitute approval or acceptance of any transactions or agreements which are either implicitly or explicitly disclosed in the Form A filing.

11/8/2024
Date



Justin Zimmerman
Commissioner

LG First Indemnity Acquisition Order/Order