

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)
OF CONTROL OF LANCER INSURANCE)
COMPANY OF NEW JERSEY BY ELK)
MERGER SUB LIMITED, ELK BIDCO)
LIMITED, ELK PARENT LIMITED, ELK)
INTERMEDIATE HOLDINGS, LLC,)
ELK TOPCO, LLC, ELK INSURANCE)
HOLDINGS, LLC,)
A. MICHAEL MUSCOLINO, JOSHUA)
EASTERLY, AND JENNIFER GORDON)

ORDER APPROVING
ACQUISITION

I have read the Hearing Officer's report dated June 6, 2025 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 ("Proposed Acquisition") of Elk Merger Sub Limited, Elk Bidco Limited, Elk Parent Limited, Elk Intermediate Holdings, LLC, Elk Topco, LLC, Elk Insurance Holdings, LLC, A. Michael Muscolino, Joshua Easterly, and Jennifer Gordon to acquire control of Lancer Insurance Company of New Jersey (NAIC# 37680) ("Domestic Insurer") subject to the following conditions:

1. NO USE OF NEW JERSEY FUNDS FOR ACQUISITION. Upon consummation of the Proposed Acquisition, Applicants shall exercise all efforts, including its voting rights and contractual rights, to not: (a) Assets: dispose of or otherwise use assets of Domestic Insurer and/or any other subsidiaries of Domestic Insurer, 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 Proposed Acquisition, use no part of the assets of Domestic Insurer, to pay, reimburse, or otherwise fund both the cash financing

portion of the Proposed Acquisition and the debt related to the financing of the Proposed Acquisition except, with respect to this clause as approved or otherwise permitted by the relevant agency with regulatory authority; (b) Costs: pass onto Domestic Insurer or New Jersey insureds any acquisition costs or other consideration, including without limitation of executive compensation paid to or accrued for the benefit of any executive officers of Applicants in connection with, or triggered by the Proposed Acquisition; (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 Proposed Acquisition. Applicants shall exercise its voting rights to help 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 Domestic Insurer or the Applicants); (d) 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 Proposed Acquisition. Applicants shall exercise its voting rights to prevent Domestic Insurer to 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 Proposed Acquisition, Applicants shall exercise all efforts, including its voting rights and contractual rights, to cause Domestic Insurer 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 Domestic Insurer seek opportunities to write new business in New Jersey and support Domestic

Insurer to maintain their existing service levels and not reduce current staffing levels within this State, if any, for a minimum of three (3) years from the consummation of the Proposed Acquisition.

4. NO MATERIAL CHANGE TO BUSINESS. Upon the consummation of the Proposed Acquisition, the Applicants shall take all efforts, including to utilize its voting authority and any other contractual rights, to refrain from the following: (i) liquidating Domestic Insurer; (ii) selling any material portion of the assets of Domestic Insurer; (iii) merging Domestic Insurer with any other person or persons; or (iv) making any other material change (not disclosed in the Form A Filing) with regard to business, corporate structure, management or general plan of operations of Domestic Insurer, all without the express prior approval of the Commissioner.

Applicants represent that, Applicants currently do not have, nor do the Applicants currently contemplate, any plans or proposals to liquidate Domestic Insurer; sell any of Domestic Insurer's assets; merge or consolidate Domestic Insurer with any person or persons; cause Domestic Insurer to declare a dividend or any other distribution; or make any other material change in Domestic Insurer's business operations or corporate structure or management.

5. CYBERSECURITY. The Applicants and 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 a state examination pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-6. The Applicants 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 Applicants 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 Applicants 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 DOMESTIC INSURER OR APPLICANTS. Applicants and Domestic Insurer shall not use any form of push-down accounting methods that result in the transfer or allocation of any of Domestic Insurer 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. 17:30C-1 et seq., as determined.

9. CORPORATE RECORDS. Applicants shall exercise all efforts, including its voting rights and contractual rights, to ensure the Domestic Insurer continues 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 Domestic Insurer 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. BACKGROUND OF APPLICANTS. Applicants represent that none of the individuals relating to the Proposed Acquisition who will exercise control subsequent to this acquisition, directly or indirectly, over Domestic Insurer, 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.

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 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 Certificate of Authority of Domestic Insurer pursuant to applicable law.

11. ANNUAL AUDITED FINANCIAL STATEMENTS. Beginning with the year ended December 31, 2025, Applicants shall exercise all efforts, including its voting rights and contractual rights, to ensure the respective parties file annually the following on a confidential basis with the Department:

(a) Domestic Insurer annual audited financial statement in accordance with NAIC guidelines; and,

(b) The Ultimate Controlling Person of the Domestic Insurer shall provide annual audited financial statement within 90 days after fiscal 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.

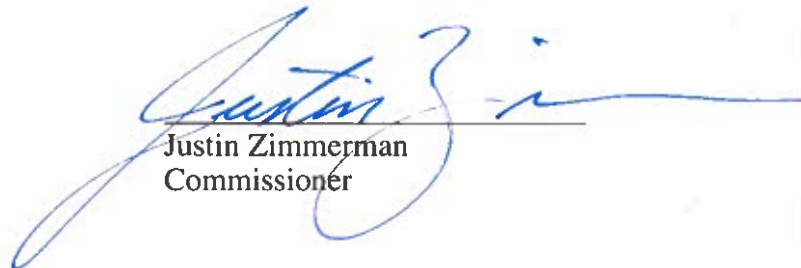
12. CONSUMMATION OF ACQUISITION OF CONTROL. Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place but no later than 90 days after the date of this Order. Applicants shall provide 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 Domestic Insurer. Any extensions shall be with the written approval of the Commissioner.

13. 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.

June 11, 2025
Date

MS Order Lancer by Elk/Order


Justin Zimmerman
Commissioner