



DEPARTMENT OF COMMERCE AND INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

IN RE:)
)
ARCH INSURANCE COMPANY) Case No. 2404010346H
ACQUISITION OF WATFORD INSURANCE)
COMPANY PURSUANT TO § 375.355, RSMo)

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

Based on the preponderance of the competent and substantial evidence on the whole record before me, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance (“Director” of the “Department”), hereby issue the following findings of fact, conclusions of law, and order:

FINDINGS OF FACT

Procedural History

1. On March 6, 2024, pursuant to § 375.355¹, Arch Insurance Company (“Petitioner”), an insurance company organized and existing under the laws of the State of Missouri, filed its “Petition of Arch Insurance Company for Approval to Acquire Control of or Merger with Watford Insurance Company, a Missouri Domestic Insurance Company”

¹ All citations are to the Revised Statutes of Missouri 2016 (RSMo 2016) unless otherwise noted.

(“Petition”). *Exhibit AIC 2, Arch Insurance Company Petition for Approval to Acquire Control of or Merger with Watford Insurance Company, and the Petition Exhibits A through M.*

2. The Director issued her Notice of Hearing, Order of Notice to Be Given and Order Appointing Hearing Officer (“Order of Notice”) on April 1, 2024, scheduling the matter for public hearing on April 26, 2024, and ordering Petitioner to publish the Order of Notice in two newspapers of general circulation giving notice to policyholders of the pendency of the Petition. *Exhibit AIC 1, Notice of Hearing, Order of Notice to be Given and Order Appointing Hearing Officer.*

3. At the April 26, 2024, hearing, Ann Monaco Warren and Mark G. R. Warren of English & Monaco, P.C. appeared for Petitioner. Shelley A. Woods appeared for the Department’s Division of Insurance Company Regulation (“Division”). *Tr. 15-16.*

4. Petitioner and the Division offered evidence at the hearing. *Tr. 16-33.* No other person appeared or offered evidence.

Facts

5. Upon receipt of the Petition, Division staff examined the Petition and the Exhibits attached thereto. *Tr. 29-30.*

6. Petitioner published the Order of Notice on April 4 and 11, 2024, in the Kansas City Star, and on April 4 and 11, 2024, in the Kansas City Daily Record. *Affidavit of Publication, Kansas City Star, Exhibit AIC 3; and Affidavit of Publication, Kansas City Daily Record, Exhibit AIC 4.*

7. Petitioner is seeking to acquire control of Watford Insurance Company (“Insurer”) pursuant to the terms of that certain Stock Purchase Agreement, dated February 13, 2024, by and between Watford Specialty Insurance Company (“WSIC”) and Petitioner,

pursuant to which Petitioner will, among other things, acquire 100% of the issued and outstanding shares of capital stock of Insurer from WSIC. *Ex. AIC 2, p.1; Tr. 28-29.*

8. Currently, Arch Capital Group Ltd. (“ACGL”), a Bermuda limited liability company and the “ultimate controlling person” of the Petitioner, as the term “controlling” is used and defined in § 382.010(2) and Chapter 382, indirectly owns 40% of the issued and outstanding shares of Insurer’s capital stock. *Exhibit AIC 2, p. 1; Tr. 29.* As a consequence, Petitioner and Insurer are already “affiliated” as that term is used and defined in § 382.010(1) and Chapter 382.

9. Petitioner and Insurer are both established and financially sound insurers. Both companies have a certificate of authority in Missouri and are subject to regulation and supervision by the Department. *Exhibits AIC 2, p. 4, AIC 6, and AIC 7; Tr. 31-32.*

10. Because ACGL indirectly owns 40% of Insurer and indirectly owns 100% of Petitioner, Insurer and Petitioner are part of the same insurance holding company system. *Tr. 30.*

11. Department staff reviewed the market share information maintained by the Department and available on its website. Since ACGL indirectly owns 40% of Insurer, Insurer is already included in the market share information for Petitioner. Based on the market share information, Insurer has less than a 2% of the market in which both it and Petitioner are licensed to operate. *Tr. 30-31.*

12. No person has objected to the proposed acquisition. *Exhibit AIC 2, p. 4; Tr. 32-34.*

13. The proposed acquisition of Insurer by Petitioner was properly approved by Insurer and Petitioner following notice as required by the articles and bylaws of the companies.

Exhibit AIC 2, Exhibits E, F, G, H, and I; and Exhibit AIC 5.

CONCLUSIONS OF LAW

14. Section 375.355.1 and .2 provide as follows:

1. Any insurance company organized under the laws of this state may hereafter, with the approval of the director first obtained,

(1) Organize any subsidiary insurance company in which it shall own and hold not less than a majority of the common stock; or

(2) Acquire control of another insurance company by purchase, merger or otherwise, regardless of the domicile of any company so organized or acquired, for the purpose of operating any such company under a plan of common control.

2. Whenever any insurance company shall propose under the provisions of this section to acquire control of another insurance company by purchase, merger or otherwise or to dispose of any stock so purchased or so acquired, it shall present its petition to the director setting forth the terms and conditions of the proposed acquisition or disposition and praying for the approval of the acquisition or disposition. The director shall thereupon issue an order of notice, requiring notice to be given, to the policy holders of a mutual company and stockholders of a stock company, of the pendency of the petition, and the time and place at which the same will be heard, by publication of the order of notice in two daily newspapers designated by the director for at least once a week for two weeks before the time appointed for the hearing upon the petition; and any further notice which the director may require shall be given by the petitioners. At the time and place fixed in the notice, or at such time and place as shall be fixed by adjournment, the director shall proceed with the hearing, and may make such examination into the affairs and conditions of the companies as he may deem proper. For the purpose of making the examination, or having the same made, the director may employ the necessary clerical, actuarial, legal, and other assistance. The director of the department of commerce and insurance of this state shall have the same power to summon and compel the attendance and testimony of witnesses and the production of books and papers at the hearing as by law granted in examinations of companies. Any policyholder or stockholder of the company or companies may appear before the director and be heard in reference to the petition. The director, if satisfied that the proposed acquisition or disposition was properly approved after notice as required by the articles and bylaws of the company or companies, and that the interest of the policyholders

of the company or companies is protected, and that no reasonable objection exists as to the acquisition or disposition, and the acquisition will not tend to substantially lessen competition or create a monopoly, shall approve and authorize the proposed acquisition or disposition. All expenses and costs incident to the proceedings under this subsection shall be paid by the company or companies bringing the petition.

15. The proposed acquisition was properly approved following notice as required by the companies' articles and bylaws.

16. The interests of the policyholders of Arch Insurance Company and Watford Insurance Company are protected.

17. No reasonable objection exists as to this proposed transaction.

18. This acquisition will not tend to substantially lessen competition or create a monopoly in Missouri.

ORDER

Based on the foregoing findings of fact and conclusions of law, the proposed acquisition of Watford Insurance Company by Arch Insurance Company as submitted in the § 375.355 Petition is hereby **APPROVED**.

SO ORDERED, signed, and official seal affixed this 03rd day of June, 2024.



Chlora Lindley Myers
CHLORA LINDLEY-MYERS
DIRECTOR

CERTIFICATE OF SERVICE

I hereby certify that on this 4th of June, 2024, a copy of the foregoing was served via first class U.S. Mail and by electronic mail to the following:

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