

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE REQUESTS BY )  
GREENOAKS CAPITAL OPPORTUNITIES )  
FUND, L.P., SEQUOIA CAPITAL U.S. )  
GROWTH FUND VI, L.P., AND FIRST )  
ROUND CAPITAL V, L.P. FOR ) ORDER  
EXEMPTIONS FROM THE FILING AND )  
PUBLIC HEARING REQUIREMENTS OF )  
THE INSURANCE HOLDING COMPANY )  
SYSTEMS ACT, N.J.S.A. 17:27A-1 ET SEQ. )

This matter having been opened by the Commissioner of the Department of Banking and Insurance (“the Commissioner”) pursuant to N.J.S.A. 17:1C-1 et seq., and 17:27A-1 et seq., and all powers expressed or implied therein; and

IT APPEARING that N.J.S.A. 17:27A-2d provides for the Commissioner’s approval of any merger or other acquisition of control of a domestic insurer after holding a public hearing; and

IT FURTHER APPEARING that N.J.S.A. 17:27A-2f(2)(a) provides an exemption to N.J.S.A. 17:27A-2 when an offer, request, invitation, agreement or acquisition is made which the Commissioner by Order shall find as not having been made or entered into for the purpose, and not having the effect, of changing or influencing the control of a domestic insurer; and

IT FURTHER APPEARING that Clover Insurance Company (“Clover Insurance” or “the insurer”), a New Jersey-domiciled stock insurer, is a wholly-owned subsidiary of Clover Health Holdings, Inc. (“CHH”), a Delaware-domiciled corporation, which in turn is ultimately wholly-owned by Clover Health Investments, Inc. (“CHI”), a Delaware-domiciled corporation; and

IT FURTHER APPEARING that First Round Capital V, L.P. (“First Round”), Sequoia Capital U.S. Growth Fund VI, L.P. (“Sequoia”) and Greenoaks Capital Opportunities Fund, L.P., (“Greenoaks”) are separate private investor funds (collectively, “the Funds”) each of which acquired equity interests in CHI in various amounts, and at the same time each further appointed a representative of the respective Fund to the Board of Directors of CHI (that is, each Fund appointed one member to the Board, such that at the closing of First Round’s investment, it had one seat on a four-member board, and at the closing of Sequoia’s investment, it had one seat on a five-member board, and at the closing of Greenoaks’s investment, it had one seat on a six-member board ); and

IT FURTHER APPEARING that N.J.S.A. 17:27A-1c provides:

[t]he term “control” ... means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of any other person, provided that no such presumption of control shall of itself relieve any person so presumed to have control from any requirement of P.L.1970, c.22 (C.17:27A-1 et seq.). This presumption may be rebutted by a showing made in the manner provided by subsection j. of section 3 of P.L.1970, c.22 (C.17:27A-3) that control does not exist in fact;

and

IT FURTHER APPEARING that, pursuant to the above-referenced statute, a rebuttable presumption of “control” of an insurer exists if a person owns, directly or indirectly, 10 percent of more of the voting securities of a domestic insurer, and a rebuttable presumption of control also exists if a person possesses, directly or indirectly, “the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities,

by contract other than a commercial contract for goods or nonmanagement services, or otherwise;" and

IT FURTHER APPEARING that the acquisition of ownership interest without regard to the percentage of voting securities owned when accompanied by the acquiring party's ability to appoint a member to the Board of Directors of a domestic insurer or any person controlling, directly or indirectly, such insurer, constitutes "control" for purposes of N.J.S.A. 17:27A-1 et seq.; and

IT FURTHER APPEARING that following these transactions acquiring equity interests and board seats, the Department informed CHI that the transactions were in violation of N.J.S.A. 17:27A-1 et seq. ("the "Act") for having acquired control of the insurer as defined within the meaning of the Act without previously filing for and receiving approval for such transactions under N.J.S.A. 17:27A-2a or requesting and receiving an exemption therefrom under N.J.S.A. 17:27A-2f; and

IT FURTHER APPEARING that in order to cure the violations, the Funds filed applications pursuant to N.J.S.A. 17:27A-2f, which applications have demonstrated that the individuals affiliated with the Funds that obtained directorships with CHI upon their acquisition have in fact relinquished those directorships and any and all rights to such directorships; and

IT FURTHER APPEARING that CHI has filed a restated and amended Certificate of Incorporation removing the rights of directorship to any representatives of the Funds absent appropriate and required filings; and

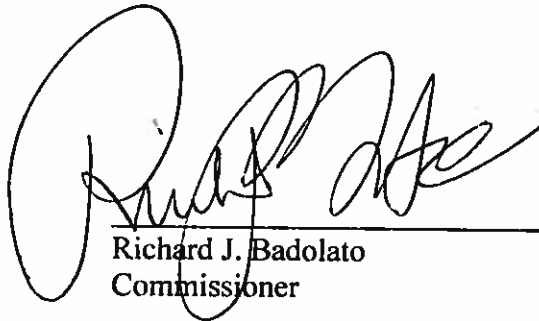
IT FURTHER APPEARING that any control of the insurer within the meaning of the Act and giving rise to violations has been corrected by the actions of CHI, the Funds and the individuals holding those directorships; and

IT FURTHER APPEARING that the Department of Banking and Insurance (“Department”) has reviewed the documents submitted in support of these requests and, based upon that review, has determined that the parties may be exempted from the filing and public hearing requirements of N.J.S.A. 17:27A-2, upon finding that the provisions of N.J.S.A. 17:27A-2f(2) are applicable to this transaction;

THEREFORE, IT IS on this 8<sup>th</sup> day of February, 2017,

ORDERED that:

Based upon the finding that the proposed transactions after the actions of the CHI and the Funds as set forth above no longer effect the ultimate control, direction or ownership of the insurer, the transactions that are subject of the Funds’ filings dated December 8, 2016, are hereby exempted from the statutory filing and public hearing requirements of N.J.S.A. 17:27A-1 et seq. in accordance with N.J.S.A. 17:27A-2f(2).



Richard J. Badolato  
Commissioner

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