

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

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IN THE MATTER OF THE ACQUISITION)	HEARING OFFICER'S
OF RIDER INSURANCE COMPANY)	REPORT
BY PALISADES SAFETY)	
AND INSURANCE ASSOCIATION)	
)	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated July 30, 2019, Palisades Safety and Insurance Association (“PSIA” or “the applicant”), filed with Department of Banking and Insurance (“the Department”) an application to acquire control (“the Form A filing”) of Rider Insurance Company (“Rider”). Rider is a New Jersey domiciled insurance company that provides motorcycle insurance and PSIA is a New Jersey domiciled reciprocal insurance exchange that provides automobile insurance. Rider is presently owned by members of the Bleiwise family. As a result of the proposed acquisition, pursuant to a Stock Purchase Agreement dated July 16, 2019, PSIA will purchase all issued and outstanding shares of Rider’s capital stock.

Pursuant to N.J.S.A. 17:27A-2(d) and after notice was provided in papers of general circulation and on the Department’s website, a public hearing was held on the Form A filing on September 30, 2019. Pursuant to N.J.A.C. 11:1-35.6(g), the public hearing was conducted based on the documents filed. The hearing panel and Department staff determined that the documents filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2(b). Public comments were allowed to be submitted to the Department through the close of business on September 30, 2019, and no comments were received. The record was closed on September 30, 2019.

Findings of Fact

Rider Insurance Company is a New Jersey domiciled insurance company offering motorcycle insurance products. It was incorporated on May 25, 1977 and commenced business in New Jersey on June 3, 1977. It is licensed to provide these products in New Jersey. PSIA is a New Jersey domiciled reciprocal insurance exchange that provides private passenger automobile insurance. It was incorporated and commenced business on May 15, 1992. PSIA is the parent organization of a group of New Jersey domiciled insurance companies that presently offer automobile and homeowners insurance in New Jersey, Pennsylvania, Connecticut and New York.¹ PSIA is licensed to provide these products in New Jersey.

As a reciprocal insurance exchange, PSIA does not have officers or directors. PSIA's Attorney-in-Fact is Plymouth Rock Management Company of New Jersey ("PRNJ"). The Vice President of Customer Service at PRNJ is the former head of GEICO's motorcycle division, where he supervised more than 400 employees dedicated to that company's national motorcycle business. In addition, Plymouth Rock Group of Companies offers motorcycle insurance in other states.

The applicant proposes, pursuant to a Stock Purchase Agreement dated July 16, 2019, to purchase all issued and outstanding shares of Rider's capital stock. All shares of Rider are presently owned by members of the Bleiwise family as follows: Harry R. Bleiwise (253,980 shares); Charles Bleiwise (124,822.5 shares); Susan Bleiwise-Greenfield (124,822.5 shares); and the Bleiwise Grandchildren Trust overseen by Trustee Jerold Goldberg (6,375 shares). The purchase price of these shares is 85% of Rider's statutory surplus at closing. As of March 31, 2019, that statutory surplus was \$9,180,000. The purchase price will be subject to certain minor adjustments at closing.

¹ Certain of these companies offer commercial automobile insurance and umbrella insurance.

PSIA has no plans to liquidate Rider, declare an extraordinary dividend, to sell its assets or merge it with any other entity. PSIA plans to grow Rider's business in New Jersey and intends to operate Rider as a standalone subsidiary, managed by PRNJ. The applicant plans to retain as many Rider employees as necessary to ensure seamless operation of the business.

Based on the consolidated financial statements filed by the applicant, the applicant had admitted assets, less liabilities, of approximately \$528,751,432 in 2018; \$480,131,031 in 2017; and \$412,857,501 in 2016. In addition, the applicant has shown net income before taxes in the prior two years, \$8,374,825 in 2018 and \$61,512,026 in 2017.

Analysis

N.J.S.A. 17:27A-2(d)(1) provides that the Commissioner shall approve an acquisition of control of a domestic insurer unless he or she finds that one or more of the seven disqualifying factors set forth therein exist. The statute provides in pertinent part:

(1) The [C]ommissioner shall approve any merger or other acquisition of control ... unless, after a public departmental hearing thereon, he [or she] finds that:

(i) After the change of control the domestic insurer ... would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein ... [applying the competitive standard as set forth in the statute];

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The financial condition of any acquiring party is such that (a) the acquiring party has not been financially solvent on a generally accepted accounting principles basis, or if an insurer, on a statutory accounting basis, for the most recent three fiscal years

immediately prior to the date of the proposed acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); (b) the acquiring party has not generated net before-tax profits from its normal business operations for the latest two fiscal years immediately prior to the date of acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); or (c) the acquisition debt of the acquiring party exceeds 50% of the purchase price of the insurer;

(v) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(vi) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or

(vii) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

Upon a thorough review of the documents submitted into evidence, the hearing panel and Department staff have determined that none of the seven disqualifying factors set forth above should result if the proposed acquisition is effectuated. Each of these conditions is discussed below.

First, after the acquisition, Rider will continue to meet the requirements to transact the business for which it is presently licensed pursuant to Title 17 of the New Jersey Statutes. Rider was incorporated on May 25, 1977, commenced business in New Jersey on June 3, 1977 and is currently licensed and in good standing. There is nothing in the record to indicate that after the proposed acquisition, the applicant would not be able to continue to satisfy the requirements to transact the business for which it is presently licensed.

Second, it does not appear that the proposed acquisition will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2(d)(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1(d) shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. The statute by its terms does not apply if, as an immediate result of the acquisition, there would be no increase in the overall market share of the involved insurers after the acquisition. See N.J.S.A. 17:27A-4.1(b)(2)(d). Here, Rider writes motorcycle insurance in New Jersey. Neither PSIA nor any of its subsidiaries offer this product. This satisfies the requirements of N.J.S.A. 17:27A-2(d)(1)(ii). As there would be no increase post-acquisition in the market share of the involved insurers in the New Jersey insurance market, the proposed transaction will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1 because it does not substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the applicant will jeopardize the financial condition of Rider. As reported in the applicable financial statements filed by the applicant, the applicant had admitted assets, less liabilities, of \$528,751,432 in 2018; \$480,131,031 in 2017; and \$412,857,501 in 2016. Thus, the financial condition requirements set forth at N.J.S.A. 17:27A-2(d)iii and iv are satisfied.

Fourth, it appears that the financial condition of the applicant is such that it has been solvent on a basis of generally accepted accounting principles for the three-year period immediately prior to the date of the proposed acquisition. In addition, the applicant reported net income of \$8,374,825 in 2018 and \$61,512,026 in 2017. Lastly, no debt is being used to finance the

acquisition on behalf of the applicant. Accordingly, the requirement that the acquisition debt may not exceed 50 percent of the purchase price is satisfied.

Fifth, the applicant does not propose to liquidate Rider, declare an extraordinary dividend, to sell its assets or merge it with any other entity. PSIA plans to grow Rider's business in New Jersey.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience, and integrity of the persons who will control the operations of Rider are such that it would not be in the interest of the policyholders and of the public to permit the acquisition of control. The applicant intends to operate Rider as a standalone subsidiary, managed by PRNJ. The applicant will retain as many Rider employees as necessary to ensure seamless operation of the business. In addition, PRNJ has a history of managing auto insurance companies and will draw on the experienced internal employees and affiliated expertise to manage the business, including PRNJ's Vice President for Customer Service is the former head of GEICO's motorcycle division and will bring that experience into the management of Rider.

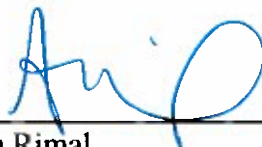
Seventh, there is nothing in the record from which it may be concluded that the proposed acquisition is likely to be hazardous or prejudicial to the insurance buying public for the reasons set forth above.

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed acquisition be approved.

Upon a thorough review of the foregoing, I concur with the findings, analysis and recommendations of the hearing panel and Department staff. I therefore recommend that the proposed acquisition be approved.

10/4/2019
Date


Ava Rimal
Hearing Officer

AR Rider by PSIA Hearing Officer Report/Orders

Exhibits List

**IN THE MATTER OF THE ACQUISITION OF CONTROL OF
RIDER INSURANCE COMPANY BY PALISADES SAFETY AND INSURANCE
ASSOCIATION**

- Exhibit 1 – Wavier of 20-day notice of hearing submitted by Harry Baumgartner for Palisades Safety and Insurance Association, dated September 11, 2019
- Exhibit 2 – Waiver of 20-day notice of hearing submitted by Donald Parisi for Rider Insurance Company, dated September 11, 2019
- Exhibit 3 – Affidavit of Publication of Notice of Hearing in Star-Ledger
- Exhibit 4 – Affidavit of Publication of Notice of Hearing in Asbury Park Press
- Exhibit 5 – Affidavit of Publication of Notice of Hearing in Courier Post