

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF NEW JERSEY)	ORDER APPROVING
SKYLANDS INSURANCE ASSOCIATION)	ACQUISITION
AND NEW JERSEY SKYLANDS)	
MANAGEMENT, LLC BY THE ALLSTATE)	
CORPORATION AND ALLSTATE)	
INSURANCE HOLDINGS, LLC)	

I have read the Hearing Officer’s report dated December 24, 2020 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 The Allstate Corporation and Allstate Insurance Holdings, LLC (collectively “the Applicants”) to acquire control of New Jersey Skylands Insurance Association (“the Domestic Insurer”) and New Jersey Skylands Management, LLC (“the Attorney-in-Fact” and collectively with the Domestic Insurer, “the Domestic Entities”) subject to the following conditions:

1. The Domestic Insurer shall continue to comply with the requirements of N.J.S.A. 17:50-1 to -19; N.J.S.A. 17:27A-1 to -14; and N.J.A.C. 11:2-39.1 to -39.14; including submission of Quarterly and Annual Financial Statements and an annual Risk-Based Capital Report, and consents to application of proceedings pursuant to N.J.S.A. 17:30C-1 to – 31 if the financial condition warrants institution of delinquency proceedings in this State.

2. **NO USE OF NEW JERSEY FUNDS FOR ACQUISITION.** Upon consummation of the transaction, the parties shall: (a) Assets: not dispose of or otherwise use assets of the Domestic Entities and/or any other subsidiaries of the parties, 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 the Domestic Entities 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 (a) as approved or otherwise permitted by the relevant agency with regulatory authority; (b) Costs: not pass onto the Domestic Entities any acquisition costs or other consideration, including without limitation executive compensation paid to or accrued for the benefit of any executive officers of the parties in connection with, or triggered by, the transaction; (c) No Dividends: refrain from causing Domestic Insurer to declare and/or pay any dividends (ordinary or extraordinary), make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of the parties in NJ, if any, 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.

3. **MAINTAIN RBC AND LIQUIDITY RATIO.** For a period of five (5) years from the consummation of the transaction, the Applicants shall direct their respective representatives on the board of directors to cause the Domestic Insurer to maintain a minimum Authorized Control Level Risk Based Capital (RBC) level of 300%, or higher at all times and a liquidity ratio at or below 100%.

4. **NEW JERSEY BUSINESS.** The Applicants shall be committed to having the Domestic Insurer seek opportunities to write new business in New Jersey.

5. **NO MATERIAL CHANGE TO BUSINESS.** Upon the consummation of the transaction, the Applicants shall refrain from the following actions: (i) liquidating the Domestic Entities; (ii) selling any material portion of the assets of the Domestic Entities; (iii) merging the

Domestic Entities with any other person or persons; or (iv) making any other material change with regard to business, corporate structure, management or general plan of operations of the Domestic Entities, all without the express prior approval of the Commissioner.

6. The Domestic Entities will maintain any service agreement necessary to conduct its business in New Jersey by retaining their existing management team and without any reduction of current staffing levels within the state, if any, so as to conduct its business, for a minimum of three (3) years from the consummation of the transaction. The Domestic Entities may make changes to their existing management team during this three (3) year period with the express prior approval of the Commissioner.

7. **CYBERSECURITY.** The Applicants and the Domestic Entities shall provide the Department with confidential access to its cybersecurity plan for review as a part of the state examination pursuant to N.J.S.A. 17:27A-5, 17:27A-6, and 17:50-8 commencing in 2020. They 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. They 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”). They shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

8. **TAX SHARING AGREEMENTS TO BE FILED AS MATERIAL MODIFICATIONS.** After the closing date of the acquisition, if any of the parties to the transaction desire to amend, change, terminate or replace its tax sharing agreements, as previously filed with and approved by the Department, the parties, if applicable, shall file any changes to

those tax sharing agreements as a Notice of Material Modification in accordance with the standards set forth at N.J.S.A. 17:27A-3, N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.3, and N.J.A.C. 11:1-35.7, N.J.A.C. 11: 1-35.10.

9. **NO PUSH-DOWN OF GOODWILL FROM THE APPLICANTS AND DOMESTIC ENTITIES.** The Applicants and the Domestic Entities shall not use any form of push-down accounting methods that result in the transfer or allocation of any of the parties' or Domestic Entities' goodwill to or from the Domestic Entities, including goodwill related to this Acquisition.

10. The 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 no later than 90 days after approval of this Form A filing.

11. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

12. Following the acquisition, the Domestic Entities shall continue to maintain their books and records in their current approved locations and shall make all such items available for inspection by the Department at any time.

13. **PARENTS ANNUAL AUDITED FINANCIAL STATEMENTS.** Beginning with the year ended December 31, 2020, the respective parties agree to file annually by June 1 the following on a confidential basis with the Department:

(a) Domestic Insurer annual audited financial statement in accordance with statutory accounting principles;

(b) The Allstate Corporation annual audited financial statement in accordance with United States generally accepted accounting principles.

14. If the proposed acquisition is not consummated within ninety (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 application; and (iii) the current financial statements of the Applicants and Domestic Entities. Any and all extensions shall be with the written approval of the Commissioner.

15. The Applicants represent that, except as disclosed in the Form A filing, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over the Domestic Insurer or the Attorney-in-Fact or their 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.

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

17. 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 the Domestic Entities 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 Certificates of Authority of the Domestic Entities pursuant to applicable law.

12/29/20



Date

Marlene Caride
Commissioner

LC NJSIA by Allstate Acquisition Order/Orders