

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of application of)	
APOLLO GLOBAL)	
MANAGEMENT, LLC,)	
LEON BLACK, JOSHUA HARRIS,)	FINDINGS OF FACT,
and MARC ROWAN for approval)	CONCLUSIONS OF LAW,
of a plan to acquire control of)	AND ORDER
AVIVA LIFE AND ANNUITY)	(Iowa Code chapter 521A)
COMPANY, AVIVA RE IOWA, INC.,)	
AVIVA RE IOWA II, INC.,)	
AVIVA RE IOWA III, INC ¹)	

I. INTRODUCTION

On August 15, 2013 the Iowa Insurance Commissioner (“Commissioner”) entered a Findings of Fact, Conclusions of Law, and Order (“Order”) approving the application of Apollo Global Management, LLC (“AGM”), a Delaware limited liability company, Leon Black, Joshua Harris, and Marc Rowan, through Athene Holding Ltd. (“Athene”), a Bermuda exempted company² (collectively referred to as “Applicants”), under Iowa Code section 521A.3 (“Application”) to acquire all the issued and outstanding capital stock of Aviva Life and Annuity Company, (“ALAC”), Aviva Re Iowa, Inc. (“Aviva Re”), Aviva Re Iowa II, Inc. (“Aviva Re II”), and Aviva Re Iowa III, Inc. (Aviva Re III), collectively referred to as (“Aviva Insurers”).

When the Commissioner’s Order was entered in this matter on August 15, 2013, Structured Annuity Reinsurance Company (“Structured Annuity”) was not yet an Iowa domestic insurer. Accordingly, Applicants’ request for the Commissioner’s approval of their Application with respect to Structured Annuity was not yet ripe for determination.

¹ The Applicants Form A filed with the Commissioner seeks to acquire control of Structured Annuity Reinsurance Company as well as Aviva Life and Annuity Company, Aviva Re Iowa, Inc., Aviva Re Iowa II, Inc., and Aviva Re Iowa III, Inc.

² Exempted companies are formed primarily for the benefit of non-residents of Bermuda, to enable such persons to carry on business outside Bermuda or with other exempted undertakings in Bermuda. Bermuda Companies Act 1981, §§ 127-132B.

On August 29, 2013, the Iowa Insurance Division (“Division”) approved Structured Annuity’s license application and issued a Certificate of Authority to write insurance business in Iowa.

Applicants’ request for approval of their Application with respect to Structured Annuity is now ripe for determination, based upon the notice given and the record established in connection with Applicants’ Form A filing and the public hearing conducted by the Commissioner on July 17, 2013.

II. JURISDICTION

The Commissioner has jurisdiction over this matter under Iowa Code section 521A.3 (2013).

III. EVIDENCE PRESENTED

At the public hearing conducted by the Commissioner in this matter on July 17, 2013, Applicants submitted the testimony of Grant Kvalheim, President of Athene Holding Ltd. Mr. Kvalheim testified that an application for a certificate of authority had been filed with the Commissioner on behalf of Structured Annuity on July 2, 2013, and that, if the application was approved, it was the intent of the Applicants that following the closing of the proposed transaction Structured Annuity would operate substantially in accordance with the plan of operations as described in that application. At the hearing the Applicants also requested that the Commissioner take official and judicial notice of all of the Form A materials submitted by the Applicants and that they be considered as part of these proceedings. The Commissioner granted this request.

IV. FINDINGS OF FACT

The statutory requirements that the Applicants’ acquisition plan must meet are relatively straightforward. Iowa Code section 521A.3(4)(a) (2013) requires a showing by the Applicants that the facts and circumstances supporting their application for acquisition of control of insurers meet five standards.

Briefly, these standards relate to (1) Applicants' post-acquisition ability to retain an Iowa license and continue writing existing lines of insurance, (2) the effect of the acquisition on insurance competition in Iowa, (3) the effect of Applicants' financial condition on Structured Annuity and its policyholders, (4) the effect of Applicants' anticipated changes to Structured Annuity's operations on its policyholders and the public interest, and (5) the effect those persons that Applicants' choose to lead Structured Annuity in the future will have on the interests of its policyholders and the public. Each requirement is discussed in greater detail below.

If Applicants establish that their application for acquisition of control meets these requirements, section 521A.3(4)(a) (2013) requires the Commissioner to approve the application.

The record in this proceeding consists of the Form A submitted by the Applicants with all attachments thereto, the affidavit of Richard Cohan, Exhibit 1, and the transcript of proceedings before the Commissioner at the public hearing in this matter on July 17, 2013. Applying the foregoing standards to the evidence presented by the record, when viewed as a whole, the Commissioner finds the following facts:

1. **After a change of control, Structured Annuity will be able to satisfy Iowa licensure requirements and thus continue writing the line or lines of insurance for which they are presently licensed.**

Iowa Code section 521A.3(4)(a)(1) (2013) requires an applicant to demonstrate to the Commissioner that, after a change of control, the acquired domestic insurer will be able to satisfy the requirements for issuing a license to write the line or lines of insurance for which it is presently licensed.

Mr. Kvalheim testified that the Aviva Insurers and Structured Annuity will continue to satisfy all capital and surplus requirements after closing, will operate with a sound plan of operation, and will continue to be managed by individuals with relevant insurance industry experience. *Id.* at 27-28. Mr. Kvalheim testified that after the closing, the Aviva Insurers and Structured Annuity will continue to satisfy Iowa's licensing requirements. *Trans.* at 27.

Structured Annuity will coinsure 100 percent of all structured settlement annuities previously issued by ALAC and its predecessor by merger, Aviva Life Insurance Company to Aviva London Assignment Corp. *Id.* at 22-23.

The Commissioner finds that Structured Annuity's ability to satisfy Iowa licensure requirements and their ability to continue writing existing lines of insurance for which they are presently licensed will be unimpaired after a change of control.

2. Applicants' acquisition of control of Structured Annuity will not substantially lessen insurance industry competition within Iowa.

Iowa Code section 521A.3(4)(a)(2) (2013) requires an applicant to demonstrate to the Commissioner that the effect of acquiring control will not substantially lessen competition in insurance in Iowa.

Mr. Kvalheim affirmed, as part of his testimony, that the proposed transaction will not substantially lessen competition in the State of Iowa. *Trans.* at 26. According to A.M. Best 2011 year-end data, the combined market share in Iowa of Athene, Aviva Insurers, and Structured Annuity for all statutory lines of business would be exempt from the obligation to make any anti-competition filing under the NAIC Insurance Holding Company System Regulatory Model Act, which indicates no substantial lessening of competition in Iowa. *Id.*

The Commissioner finds that Applicants' acquisition of control of Structured Annuity will not substantially lessen competition in insurance in Iowa.

3. Applicants' financial condition will not jeopardize the financial stability of Structured Annuity, or prejudice the interests of their policyholders.

Iowa Code section 521A.3(4)(a)(3) (2013) requires an applicant to demonstrate to the Commissioner that the applicant's financial condition will not jeopardize the financial stability of the acquired domestic insurer, or prejudice the interest of its policyholders.

Mr. Kvalheim testified that the financial statements submitted by the Applicants demonstrate that they and their affiliates are financially sound. *Trans.* at 29. The Applicants' acquisition of the Aviva Insurers, including Structured Annuity will in no way jeopardize their financial position or prejudice the interests of their policyholders. *Id.*

There being no evidence of adverse financial impact on Structured Annuity, the Commissioner also finds that the interests of the Structured Annuity's policyholders will not be prejudiced by Applicants' financial condition.

4. **Applicants' proposed post-acquisition changes in Structured Annuity's business, or corporate structure, or management are not unfair or unreasonable to Structured Annuity's policyholders and are not contrary to the public interest.**

Iowa Code section 521A.3(4)(a)(4) (2013) requires an applicant to demonstrate to the Commissioner that the applicant's plans or proposals for material changes to the acquired domestic insurer's business, or corporate structure or management are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

Mr. Kvalheim testified that Applicants do not have any current plans to liquidate the Aviva Insurers, including Structured Annuity, sell their assets, or consolidate or merge them with any person, or to make any other material change in their business or corporate structures. *Trans.* at 30. The Applicants anticipate following the closing of the proposed transaction that the Aviva Insurers and Structured Annuity will operate substantially as described in the application for the company's certificate of authority, which ALAC filed with the Division. *Id.* at 23.

The Commissioner finds that Applicants' proposed post-acquisition changes in Structured Annuity's business, corporate structure, and management are not contrary to the public interest.

5. **The competence, experience, and integrity of those individuals who will control Structured Annuity after acquisition are sufficient to indicate that Structured Annuity policyholder interests and the public interest will not be jeopardized by Applicants' acquisition of control of the Structured Annuity.**

Iowa Code section 521A.3(4)(a)(5) (2013) requires an applicant to demonstrate to the Commissioner that the competence, experience, and integrity of those the applicant selects to control the acquired domestic insurer are sufficient to indicate that policyholders' interests and the public's interest will not be jeopardized by acquisition.

Mr. Kvalheim testified that he is familiar with the individuals who serve and will serve as directors and executive officers of Applicants who will control the Aviva Insurers and Structured Annuity after the closing. *Trans.* at 31. In the view of Mr. Kvalheim, the competence, experience, and integrity of the individuals who will control the Aviva Insurers' and Structured Annuity's operations after the closing will be sufficient to insure that the interests of the Aviva Insurers' and Structured Annuity's policyholders and the public interest will not be jeopardized by the acquisition of control. *Id.*

The Commissioner finds that the competence, experience, and integrity of those individuals who will control the Structured Annuity after acquisition are sufficient to indicate that the Structured Annuity policyholder interest and the public interest will not be jeopardized by Applicants' acquisition of control of the Structured Annuity.

V. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commissioner not only to hold hearings and make factual findings, but also to interpret and apply the law.

Iowa Code section 521A.3(4)(a) (2013) requires the Commissioner to approve an application for acquisition of control if, after a public hearing, the applicant demonstrates all five criteria listed within that section to the Commissioner.

After a careful review of all evidence submitted, the Commissioner concludes, upon substantial evidence, Applicants have demonstrated to the Commissioner all five requirements set forth in, and required by, section 521A.3(4)(a) (2013). Applicants' proposed acquisition of control of the Structured Annuity should be approved.

ORDER

IT IS THEREFORE ORDERED that:

The application of Apollo Global Management, LLC, Leon Black, Joshua Harris, and Mark Rowan for approval of a plan to acquire control of Structured Annuity Reinsurance Company is **APPROVED**.

This Order shall be considered final agency action for the purposes of Iowa Code chapter 17A (2013). Any action challenging the Order shall comply with the requirements of Iowa Code chapter 17A (2013).

Any application for rehearing shall comply with the requirements of Iowa Code chapter 17A (2013).

DATED this 27th day of September, 2013.



NICK GERHART

Iowa Insurance Commissioner

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