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INSURANCE EVALUATION DIVISION

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF  
OR MERGER WITH A DOMESTIC INSURER  
(this "Statement")

**THE GUARANTEE COMPANY OF NORTH AMERICA USA**  
(the "Domestic Insurer")

BY

**11554280 CANADA INC.,**

**8658471 CANADA INC.**

and

**INTACT FINANCIAL CORPORATION**

(Each an "Applicant" and collectively the "Applicants")

**Filed with the Michigan Department of Insurance and Financial Services**  
(the "Department")

Dated: August 16, 2019

Name, Title, Address and Telephone Number of Individuals to Whom Notices and  
Correspondence Concerning this Statement Should Be Addressed:

To:

Frédéric Cotnoir  
Senior VP, Corporate and Legal Services and  
Secretary  
Intact Financial Corporation  
700 University Avenue, Suite 1500-A  
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With a copy to:

E. Drew Dutton  
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**Item 1. METHOD OF ACQUISITION**

**(a) Domestic Insurer**

This Application relates to a proposed acquisition of control of the Domestic Insurer, The Guarantee Company of North America USA. The Domestic Insurer's statutory home office and main administrative office are located at One Towne Square, Suite 1470, Southfield, Michigan 48076-3725.

**(b) Method of Acquisition**

The Domestic Insurer is a direct wholly-owned subsidiary of The Guarantee Company of North America (US) Holdings Ltd., a corporation organized under the laws of the State of Delaware ("GCNA US Holdco"), which is in turn a direct wholly-owned subsidiary of The Guarantee Company of North America, an insurance company organized under the *Insurance Companies Act (Canada)* ("GCNA"). GCNA is a direct wholly-owned subsidiary of Cowan Holdco, Inc., a corporation organized under *Business Corporations Act (Ontario)* ("CHI"), which in turn is a direct wholly-owned subsidiary of Princeton Holdings Limited, a corporation organized under the *Business Corporations Act (Ontario)* ("Princeton Holdings" and together with CHI, the "Sellers"). Prior to the closing of the transaction described below, CHI intends to incorporate a new corporation under the laws of Canada ("Seller Newco"), which will become the direct parent of GCNA and therefore, the indirect parent of the Domestic Insurer.<sup>1</sup> An organizational chart showing the current ownership structure of the Domestic Insurer is attached as Exhibit 1-A to this Statement.

On August 15, 2019, Intact Financial Corporation, a corporation organized under the *Canada Business Corporations Act* ("IFC") entered into a Share Purchase Agreement with Princeton Holdings and CHI, pursuant to which IFC agreed to purchase from CHI all of the issued and outstanding shares of Seller Newco, subject to satisfaction of all conditions to closing, including receipt of required regulatory approvals (such transaction, the "Proposed Transaction"). Prior to the closing, IFC intends to assign some or all of its rights and obligations under the Share Purchase Agreement to 11554280 Canada Inc., a corporation organized under the *Canada Business Corporations Act* ("Acquisition Co") such that Acquisition Co. is the direct acquirer of Seller Newco.

As shown in the "Pre-Acquisition Organizational Chart of the Applicants" attached as Exhibit 1-B to this Statement, Acquisition Co is a wholly-owned subsidiary of 8658471 Canada Inc., a corporation organized under the *Canada Business Corporations Act* ("P&C Holdco"), and P&C Holdco is a wholly-owned subsidiary of IFC. The acquisition of Seller Newco contemplated under the Share Purchase Agreement will also effect an acquisition of control with respect to the Domestic Insurer, which is a wholly-owned indirect subsidiary of Seller Newco.

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<sup>1</sup> Note: The reorganization of the intermediate holding companies above the Domestic Insurer is the subject of a Form A exemption request pursuant to § 500.1317 of the Michigan Insurance Code that will be filed with the Department shortly.

Following the closing of the Proposed Transaction, the Applicants expect to execute a reorganization plan (the “Post-Closing Reorganization”) pursuant to which, among other things, GCNA US Holdco will become a direct subsidiary of OneBeacon Insurance Group, LLC, a holding company of IFC’s OneBeacon Group (“One Beacon”). Accordingly, while neither the ultimate controlling person nor the direct parent of the Domestic Insurer is expected to change in connection with the Post-Closing Reorganization, the intermediate holding companies above GCNA US Holdco will change. The Post-Closing Reorganization is more fully described in Item 5 below.

A copy of the Share Purchase Agreement is attached as Exhibit 2 to this Statement and incorporated herein by reference.

**Item 2. IDENTITY AND BACKGROUND OF THE APPLICANTS**

**(a) Name and Address of the Applicants**

The names and principal business addresses of the Applicants are as follows:

- (i) 11554280 Canada Inc. (“Acquisition Co”)  
700 University Avenue, Suite 1500-A  
Toronto, Ontario  
Canada M5G 0A1
- (ii) 8658471 Canada Inc. (“P&C Holdco”)  
700 University Avenue, Suite 1500-A  
Toronto, Ontario  
Canada M5G 0A1
- (ii) Intact Financial Corporation (“IFC”)  
700 University Avenue, Suite 1500-A  
Toronto, Ontario  
Canada M5G 0A1

**(b) The Applicants’ Business Operations**

IFC is a publicly traded stock holding company and the ultimate parent company of P&C Holdco and Acquisition Co. IFC was incorporated under the *Canada Business Corporations Act* on December 10, 2004. IFC is the largest provider of property and casualty insurance in Canada and a leading specialty insurance provider in North America, serving more than five million clients in Canada and the United States.

P&C Holdco is a Canadian corporation organized under the *Canada Business Corporations Act* and a wholly-owned subsidiary of IFC. P&C Holdco was established on October 9, 2013. P&C Holdco operates as the holding company for IFC’s Canadian insurance subsidiaries, and it does not have any other business operations.

Acquisition Co is a Canadian corporation organized under the *Canada Business Corporations Act* and a wholly-owned subsidiary of P&C Holdco. Acquisition Co was

established on August 6, 2019 for the express purpose of effecting the Proposed Transaction in accordance with the terms set forth in the Share Purchase Agreement.

(c) **Applicants' Organizational Charts**

Attached to this Application as Exhibit 1-A is an organizational chart presenting the identities and interrelationships among the Domestic Insurer and its controlling persons immediately prior to the Proposed Transaction, including their respective percentage ownership of voting securities. The chart also specifies the type of organization, the primary business and the state or other jurisdiction of domicile of each such entity. Attached as Exhibit 1-B is a similar chart with respect to the Applicants and their affiliates immediately prior to the Proposed Transaction.

Attached hereto as Exhibit 3 is a simplified *pro forma* organizational chart, which situates the Domestic Insurer within IFC's insurance group immediately following the closing of the Proposed Transaction (but prior to the Post-Closing Reorganization).

Attached hereto as Exhibit 4 is a simplified *pro forma* organizational chart, immediately following completion of the Post-Closing Reorganization, of the Applicants, the Domestic Insurer and the other subsidiaries of the Sellers to be acquired pursuant to the Proposed Transaction.

There are currently no pending court proceedings involving a reorganization or liquidation of the Applicants or any of the subsidiaries or affiliates of the Applicants.

**Item 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS**

The directors and executive officers for each of the Applicants are listed in Exhibit 5 hereto. Completed NAIC biographical affidavits of the directors and executive officers of the Applicants are attached hereto as Exhibit 6, and fingerprint cards for such directors and executive officers have been submitted to Identigo in accordance with Department of Insurance and Financial Services guidance. Third party background checks will be also be performed in connection with this Statement's submission.

To the Applicants' knowledge, no person controls 10% or more of the voting securities of IFC. As noted above, P&C Holdco is a direct, wholly-owned subsidiary of IFC, and Acquisition Co is a direct wholly-owned subsidiary of P&C Holdco.

A list setting forth the names and business addresses of the prospective members of the board of the Domestic Insurer will be provided supplementally when available.

#### **Item 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

##### **(a) Nature, Source and Amount of Consideration<sup>2</sup>**

The consideration to be used to effect the Proposed Transaction is a combination of (i) a bought deal public financing of subscription receipts of IFC, in an amount equal to approximately C\$400,000,000; (ii) a drawdown of bank debt facilities that IFC expects to negotiate with a lender or syndicate of lenders prior to the closing of the Proposed Transaction, in an amount of up to C\$400,000,000 (the "Planned Credit Agreement"); and (iii) existing cash on hand following the disposition of certain investments, in an amount equal to approximately C\$200,000,000. The purchase price is C\$1,000,000,000, subject to adjustment.

In connection with the acquisition of GCNA US Holdco, which is further discussed in Item 5(a) below, OneBeacon U.S. Financial Services, Inc., a Delaware corporation and indirect wholly-owned subsidiary of IFC ("OneBeacon U.S. Financial Services"), or its affiliates expect to enter into a financing arrangement with a third party bank (the "Planned Financing Arrangement"). Both the Planned Credit Agreement and the Planned Financing Arrangement, including, in each case, the identity of the lenders thereto, will be finalized closer to the Closing, and further details will be provided to the Department as they become available.

##### **(b) Criteria in Determining Consideration**

The basis and terms of the Share Purchase Agreement, including the nature and amount of consideration, were determined through arms' length negotiations between representatives of the Applicants and the Seller, and their respective financial, legal and other advisors. The amount and type of consideration were determined in view of the consideration paid in other recent acquisitions of similar businesses, as well as the financial position and results of operations of the business to be acquired, including the past and present business operations, historical and potential earnings, financial condition and prospects, assets and liabilities and such other factors and information as the Applicants considered relevant under the circumstances.

##### **(c) Confidentiality of Lender's Information in the Ordinary Course of Business**

As discussed in Item 4(a) of this Statement, the consideration used in connection with the Proposed Transaction involves financing that will be provided by its lenders in the ordinary course of business. The Applicants therefore request that the identity of its lenders remain confidential.

#### **Item 5. FUTURE PLANS FOR DOMESTIC INSURER**

##### **(a) Plans for Domestic Insurer**

The Applicants intend to join the expertise of its existing surety lines operations to the expertise provided by the Domestic Insurer, and thereby accelerate the growth of the combined

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<sup>2</sup> Note: All references to dollar amounts in Item 4 are to Canadian dollars. As of August 16, 2019, the amounts as converted to U.S. dollars are approximately US\$301,244,000 (equity bought deal), US\$301,244,000 (debt), US\$150,622,000 (excess capital) and US\$753,110,000 (purchase price).

organization. Accordingly, as described below, the Applicants intend to effect the Post-Closing Reorganization, which will have the effect of shifting new and renewal business to IFC's New York-domiciled insurance Company, Atlantic Specialty Insurance Company ("ASIC"). As of March 31, 2019, ASIC had approximately \$2.49 billion in assets and approximately \$692 million in surplus as regards policyholders. In connection with past acquisitions, IFC has a track record of working hard to find opportunities for as many employees as possible, and it intends to do so with any employees of the Domestic Insurer who may be affected by the Post-Closing Reorganization.

At present, the Applicants' operational plans for the Domestic Insurer do not contemplate the liquidation, sale of assets (other than transactions in investment assets in the ordinary course of business) or merger or consolidation of the Domestic Insurer. The Post-Closing Reorganization is described in detail below.

### Post-Closing Reorganization

Subject to receipt of required regulatory approvals, the Applicants intend to effect a series of transactions to integrate GCNA's and the Domestic Insurer's business lines into IFC's existing portfolio of insurance offerings. Each step of the Post-Closing Reorganization is outlined below.

1. Immediately following the closing the Proposed Transaction, the Applicants intend Seller Newco to wind up into Acquisition Co.
2. Acquisition Co and GCNA will undergo a long-form merger, which will result in the creation of an entity under a new name ("Resulting Corporation").
3. OneBeacon US Financial Services will acquire the shares of GCNA US Holdco from Resulting Corporation for cash. Immediately thereafter, GCNA US Holdco will convert from a Delaware corporation to a Delaware limited liability company.
4. Following one or both of the Dividend Payments (as defined below), GCNA US Holdco will be contributed from OneBeacon US Financial Services to OneBeacon Insurance Group LLC via contributions to the intermediate entities.

Following the Post-Closing Reorganization, the Domestic Insurer will be placed into runoff, and the Atlantic Specialty Insurance Company, a New York-domiciled insurance company and wholly-owned direct subsidiary of OneBeacon, will write all new and, as applicable, renewal business of the Domestic Insurer.

### Dividend Payment

After the consummation of the Proposed Transaction, and subject to receipt of required regulatory approval, the Applicants propose to gradually release the Domestic Insurer's excess capital in the form of ordinary and extraordinary dividends (such dividend payments, the "Dividend Payments"). Further information about the Dividend Payments is described in the business plan attached as Exhibit 7 hereto.

## Reinsurance Program

The Applicants are evaluating potential changes to the Domestic Insurer's reinsurance program, including shifting certain ceded reinsurance to certain affiliates of the Applicants or consolidating the Domestic Insurer's reinsurance coverage with IFC's existing third-party reinsurance treaties. Any changes would be supported by analysis regarding block profitability, internal capital management and capital allocation needs. To the extent that any of these reinsurance changes are transactions with affiliates, the Applicants will submit a Form D application to the Department.

### **(b) Business Plan and Three-Year Financial Projections**

Please see the business plan and financial projections attached as Exhibit 7 hereto.

### **(c) Absence of Other Proposed Changes**

There are no proposed changes with respect to the Domestic Insurer's compliance plan with the "books and records in Michigan" requirement of Section 5256.

## **Item 6. VOTING SECURITIES TO BE ACQUIRED**

The Applicants will acquire, directly and indirectly, 100 percent of the Domestic Insurer's capital stock. Currently, 1,000,000 common shares of the Domestic Insurer's capital stock have been authorized, and 500,001 common shares have been issued and are outstanding.

Please refer to Item 4(b) above for a description of the method by which the terms of the Share Purchase Agreement were determined.

## **Item 7. OWNERSHIP OF VOTING SECURITIES**

None of the Applicants, their affiliates or, to the best knowledge, information and belief of the Applicants, any person listed in Item 3 of this Statement beneficially owns or has, directly or indirectly, a right to acquire beneficially any voting securities of the Domestic Insurer or any securities convertible into or evidencing a right to acquire any such voting securities whether or not such right of conversion or acquisition is exercisable immediately or at some future time.

**Item 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE DOMESTIC INSURER**

Except for the Share Purchase Agreement, which provides for the acquisition of all of the shares of capital stock of the Domestic Insurer, there are no contracts, arrangements or understandings with respect to any voting securities of the Domestic Insurer in which the Applicants, their affiliates or, to the best knowledge, information and belief of the Applicants, any person listed in Item 3 of this Statement is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

**Item 9. RECENT PURCHASES OF VOTING SECURITIES**

There have been no purchases of any voting securities of the Domestic Insurer by the Applicants, their affiliates or, to the best knowledge, information and belief of the Applicants, any person listed in Item 3 of this Statement during the twelve (12) calendar months preceding the filing of this Statement.

**Item 10. RECENT RECOMMENDATIONS TO PURCHASE**

Except in connection with the execution of the Share Purchase Agreement, there have been no recommendations to purchase any voting security of the Domestic Insurer made by the Applicants, their affiliates or, to the best knowledge, information and belief of the Applicants, any person listed in Item 3 of this Statement, or by anyone based upon interviews or at the suggestion of the Applicants, any person controlling, controlled by or under common control with the Applicants or, to the best knowledge, information and belief of the Applicants, any person listed in Item 3 of this Statement during the twelve (12) calendar months preceding the filing of this Statement.

**Item 11. AGREEMENTS WITH BROKER-DEALERS**

There are no written or oral agreements, arrangements or understandings made or proposed to be made by any Applicant or any affiliate of an Applicant with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender.

**Item 12. FINANCIAL STATEMENTS AND EXHIBITS**

**(a) Exhibits and Financial Statements**

The financial statements and exhibits attached to this Statement are as follows:

- Exhibit 1-A. Pre-Acquisition Organizational Chart of the Domestic Insurer and its Controlling Persons.
- Exhibit 1-B. Pre-Acquisition Organizational Chart of the Applicants
- Exhibit 2. Share Purchase Agreement



- Exhibit 3. Simplified Organizational Chart of the Applicants and Domestic Insurer Following the Proposed Transaction
- Exhibit 4. Simplified Organizational Chart of the Applicants and Domestic Insurer Following the Post-Closing Reorganization
- Exhibit 5. Directors and Executive Officers of the Applicants
- Exhibit 6. Biographical Affidavits of Current Directors and Executive Officers of Applicants
- Exhibit 7. Three-Year Business Plan and Three-Year Financial Projections for the Domestic Insurer
- Exhibit 8. IFC's Audited Consolidated Financial Statements for the years ended December 31, 2014, 2015, 2016, 2017 and 2018
- Exhibit 9-A. IFC's Unaudited Interim Consolidated Financial Statement for the three-month period ended March 31, 2019
- Exhibit 9-B. IFC's Unaudited Interim Consolidated Financial Statement for the three-month period ended June 30, 2019

**(b) Financial Statements**

Attached as Exhibit 8 hereto are the 2014, 2015, 2016, 2017 and 2018 Audited Consolidated Financial Statements of IFC. The financial data set forth in Audited Consolidated Financial Statements is denominated in Canadian dollars and is prepared in accordance with International Financial Reporting Standards as issued and adopted by the International Accounting Standards Board.

Attached as Exhibits 9-A and 9-B, respectively, is a copy of IFC's Unaudited Interim Consolidated Financial Statements for each of the three-month periods ended March 31, 2019 and June 30, 2019.

P&C Holdco does not produce financial statements on a regular basis. As a consolidated subsidiary of IFC, its financial statements are fully consolidated into IFC's financial statements.

Acquisition Co does not have any financial statements as it was formed on August 6, 2019.

(c) **Tender Offers**

Other than the Share Purchase Agreement, which provides for the acquisition of all of the shares of capital stock of the Domestic Insurer, there are no tender offers for, requests or invitations for, tenders of, exchange offers for or agreements to acquire or exchange any voting security of the Domestic Insurer or additional soliciting materials relating thereto. There are no proposed employment, consultation, advisory or management contracts concerning the Domestic Insurer.

**Item 13. ENTERPRISE RISK MANAGEMENT**

Each of the Applicants agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

**Item 14. SIGNATURE AND CERTIFICATION**


*[Signature Pages Follow]*

**SIGNATURE**

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Intact Financial Corporation has caused this application to be duly signed on its behalf in the City of MONTREAL and Province of QUÉBEC on the 16 day of August, 2019.

(Seal)

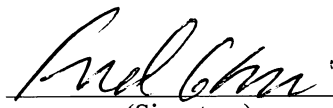
INTACT FINANCIAL CORPORATION

By:   
Name: Frédéric Cotnoir  
Title: Senior Vice-President,  
Corporate & Legal Services,  
and Secretary

Attest:  
By:   
Name: Mathier Grenier  
Title: Assistant Secretary

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated 16 August, 2019, for and on behalf of Intact Financial Corporation; that he is the Senior Vice-President of Corporate & Legal Services and Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

  
(Signature)  
FREDÉRIC COTNOIR  
(Type or Print Name)

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(Seal)

8658471 CANADA INC.

By: Frédéric Cotnoir  
Name: Frédéric Cotnoir  
Title: Senior Vice-President,  
Corporate & Legal Services,  
and Secretary

Attest:

By: Mathieu Grenier  
Name: Mathieu Grenier  
Title: Assistant Secretary

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Frédéric Cotnoir  
(Signature)

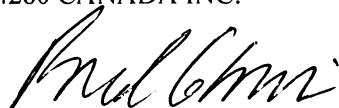
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11554280 CANADA INC.

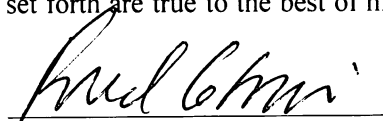
By:   
Name: Frédéric Cotnoir  
Title: Senior Vice-President,  
Corporate & Legal Services,  
and Secretary

Attest:

By:   
Name: Mathier Grenier  
Title: Assistant Secretary

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(Signature)

FRÉDÉRIC COTNOIR  
(Type or Print Name)