

FILED

DEC 23 2020

INSURANCE REGULATION

Docketed by:



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 273907-20-CO

Application for the Indirect Acquisition of
DIRECT GENERAL INSURANCE COMPANY
by THE ALLSTATE CORPORATION

CONSENT ORDER

THIS CAUSE came on for consideration upon the filing of an application with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") for the proposed indirect acquisition of 100% of the issued and outstanding voting securities of DIRECT GENERAL INSURANCE COMPANY ("DIRECT GENERAL") by THE ALLSTATE CORPORATION ("APPLICANT") pursuant to Section 628.461, Florida Statutes ("Application"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and the parties herein.
2. APPLICANT has applied for and, subject to the present and continuing satisfaction of the requirements, terms, and conditions established herein, has satisfactorily met all conditions precedent to the granting of approval by the OFFICE of the proposed indirect acquisition of 100% of the issued and outstanding voting securities of DIRECT GENERAL by APPLICANT, pursuant to the requirements set forth for such licensure in the Florida Insurance Code.
3. DIRECT GENERAL is a licensed property and casualty insurer domiciled in the state of Indiana, commercially domiciled in the state of Florida, and is authorized to transact

property and casualty insurance in this state through a subsisting Certificate of Authority issued by the OFFICE and, as such, is subject to filings required by Section 628.461, Florida Statutes.

4. DIRECT GENERAL is owned 100% by NATIONAL GENERAL MANAGEMENT CORP. (“NATIONAL GENERAL MANAGEMENT”), a Delaware corporation that is owned 100% by NATIONAL GENERAL HOLDINGS CORP. (“NATIONAL GENERAL HOLDINGS”), a Delaware insurance holding corporation whose stock is publicly traded on the National Association of Securities Dealers Automated Quotations exchange (“NASDAQ”) under the ticker symbol “NGHC”. NATIONAL GENERAL HOLDINGS is presently owned 39.3% by Leah Karfunkel, through both direct and indirect ownership, with no other 10% or greater shareholders.

5. APPLICANT is a Delaware corporation whose stock is publicly traded on the New York Stock Exchange under the ticker symbol “ALL”. No one individual or entity owns 10% or more of the issued and outstanding voting securities of APPLICANT.

6. The Application represents that on July 7, 2020, APPLICANT, Bluebird Acquisition Corp. (“Merger Sub”), a corporation that is wholly owned by ALLSTATE INSURANCE HOLDINGS, LLC, (“AIH”) which in turn is a limited liability company that is wholly owned by APPLICANT, and NATIONAL GENERAL HOLDINGS entered into an Agreement and Plan of Merger (“Agreement”) whereby APPLICANT will acquire NATIONAL GENERAL HOLDINGS and, indirectly, all of its direct and indirect subsidiaries, by causing its subsidiary, Merger Sub, to merge with and into NATIONAL GENERAL HOLDINGS, with NATIONAL GENERAL HOLDINGS surviving the merger transaction (“Merger”).

7. Upon closing of the Merger and pursuant to the Agreement, the common shareholders of NATIONAL GENERAL HOLDINGS identified in the Agreement will have the

right to exchange each share for \$32 United States Dollars (“USD”) per share, totaling approximately \$3,700,000,000 USD (“Merger Consideration”). The Merger Consideration will be funded by approximately \$2,200,000,000 USD in cash resources, and subject to market conditions, approximately \$1,500,000,000 USD in the form of new senior debt issued by APPLICANT. The Agreement also contemplates a payment of a pre-closing dividend by APPLICANT of up to \$2.50 USD per share of common stock to shareholders of NATIONAL GENERAL HOLDINGS, totaling approximately \$290,000,000 USD (“Special Dividend”). APPLICANT represents that the Merger Consideration and Special Dividend together will aggregate an estimated total purchase price for consideration of approximately \$4,000,000,000 USD, subject to customary post-closing adjustments as described in the Agreement. Upon completion of the Merger, which is expected to close on or about January 4, 2021, NATIONAL GENERAL HOLDINGS will be owned 100% by AIH, whose membership interest is 100% owned by APPLICANT.

8. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS represent that, except as disclosed in the Application, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over DIRECT GENERAL have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

9. If any other background information for any individual for whom APPLICANT was required to submit background information as part of this Application has not been submitted as of the date of the execution of this Consent Order, APPLICANT shall submit, or cause this information to be submitted, to the OFFICE within 90 days of the execution of this Consent Order.

10. If the OFFICE determines that any individual for whom APPLICANT is required to submit background information as part of this Application is unacceptable under the Florida Insurance Code, APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS shall remove said person within 30 days of notice from the OFFICE and replace them with a person or persons acceptable to the OFFICE, or shall undertake such other corrective action as directed by the OFFICE. Failure to act would constitute an immediate serious danger to the public, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes, and the OFFICE may take administrative action as it deems appropriate upon the Certificate of Authority of DIRECT GENERAL without further proceedings, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

11. APPLICANT represents that, except as disclosed in the Application, there are no present plans or proposals to make any substantive changes to the Plan of Operation of DIRECT GENERAL including liquidating it, selling any of its assets (except for transactions such as investment portfolio transactions in the ordinary course of business), merging or consolidating it with any person or persons, or making any other major change in its business operations.

12. DIRECT GENERAL shall file an Amended and Restated Services and Expense Agreement, Tax Sharing Agreement, and Investment Management Agreement with the OFFICE pursuant to Rule 690-143.047(4)(c) and (d), Florida Administrative Code.

13. APPLICANT and DIRECT GENERAL acknowledge that any dividends to stockholders shall continue to comply with Section 628.371, Florida Statutes, until such time as DIRECT GENERAL is no longer commercially domiciled in Florida.

14. APPLICANT shall submit, or cause to be submitted, to the OFFICE written notice of any breach, non-performance, or default under any servicing agreement with affiliates or third-

party vendors providing services, directly or indirectly, to DIRECT GENERAL that could result in or cause a material adverse change in the financial condition, business, performance, operations, or property of DIRECT GENERAL.

15. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS shall ensure that any agreement DIRECT GENERAL is party to or governed by, with respect to any and all pro rata and excess of loss reinsurance coverage, shall provide for terms and pricing to be procured at open market terms. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS shall conduct sufficient due diligence, through a broker or otherwise, and shall solicit legitimate written quotes from potential third-party reinsurers through a firm order prior to entering into a quota share or excess of loss agreement.

16. DIRECT GENERAL may not enter into any reinsurance or brokerage agreement, whether or not affiliated, that requires approval from the reinsurer or broker regarding any potential sale of DIRECT GENERAL.

17. All parties to this Consent Order agree that this Consent Order shall be deemed null and void if all transactions contemplated in the Agreement are not completed, or required regulatory approvals are not obtained, within 60 days of the execution of this Consent Order.

18. Within 10 business days after the transactions contemplated in the Application are completed, APPLICANT shall submit, or cause to be submitted, to the OFFICE all documents evidencing completion of said transactions not already provided to the OFFICE, including, but not limited to, the fully executed Affiliated Agreements and the approval document from the domestic state regulator for DIRECT GENERAL. Further, APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS shall

notify the OFFICE within 3 business days of a final determination that the transactions contemplated in the Application will not occur.

19. All parties to this Consent Order acknowledge that consummation of the transactions contemplated in the Application are subject to obtaining all appropriate regulatory approvals in addition to satisfying other terms and conditions of the Agreement. Accordingly, if APPLICANT fails to receive any other requisite regulatory approvals, the provisions of this Consent Order shall terminate automatically and have no effect.

20. Pursuant to Sections 628.461(3)(f)-(g), Florida Statutes, APPLICANT, DIRECT GENERAL, or any other party meeting the definition of “ultimate controlling person” as defined in Section 628.801(2), Florida Statutes, shall file with the OFFICE the Enterprise Risk Report required by Section 628.801(2), Florida Statutes, and any and all additional information necessary to evaluate the enterprise risk of DIRECT GENERAL and its affiliates.

21. Within 10 days of assignment, APPLICANT or DIRECT GENERAL shall submit to the OFFICE, DIRECT GENERAL’s revised Group Code, as issued by the National Association of Insurance Commissioners.

22. DIRECT GENERAL shall, no later than 15 days after the month in which all transactions contemplated in the Agreement are completed, file an update to its Holding Company Registration Statement, as required by Section 628.801, Florida Statutes, and Rule 690-143.046, Florida Administrative Code.

23. Any prior orders, consent orders, or corrective action plans that DIRECT GENERAL has entered into with the OFFICE prior to the issuance of this Consent Order shall apply and remain in full force and effect for DIRECT GENERAL, except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by

subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

24. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS affirm that all information, explanations, representations, statements, and documents provided to the OFFICE in connection with this Application, including all attachments and supplements thereto, are true and correct and fully describe all transactions, agreements, ownership structures, understandings, and control with regard to the acquisition and future operations of DIRECT GENERAL. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS further agree and affirm that said information, explanations, representations, statements, and documents, including all attachments and supplements thereto, are material to the issuance of this Consent Order and have been relied upon by the OFFICE in its determination to enter into this Consent Order.

25. DIRECT GENERAL shall report to the OFFICE, Property & Casualty Financial Oversight, any time DIRECT GENERAL is named as a party defendant in a class action lawsuit within 15 days after the class is certified. DIRECT GENERAL shall include a copy of the complaint at the time it reports the class action lawsuit to the OFFICE.

26. DIRECT GENERAL shall maintain an information security program for the security and protection of confidential and proprietary information under its control that complies with all applicable laws and regulations regarding information security. DIRECT GENERAL agrees it shall continually monitor and enhance its information security program in order to mitigate data security breaches. DIRECT GENERAL further agrees that it shall notify the OFFICE within 5 business days of identifying a data breach.

27. Executive Order 13224 prohibits any transactions by U.S. persons involving the blocked assets and interests of terrorists and terrorist support organizations. DIRECT GENERAL shall maintain and adhere to procedures necessary to detect and prevent prohibited transactions with those individuals and entities, which have been identified at the Treasury Department's Office of Foreign Assets Control website, <http://www.treas.gov/ofac>.

28. Within 60 days from the date of the execution of this Consent Order, APPLICANT shall submit, or cause to be submitted, to the OFFICE a certification evidencing compliance with all of the requirements of this Consent Order. Any exceptions shall be so noted and contained in the certification. Exceptions noted in the certification shall also include a timeline defining when the outstanding requirements of the Consent Order will be complete. Said certification shall be submitted to the OFFICE via electronic mail and directed to the attention of the Assistant General Counsel representing the OFFICE in this matter and as named in this Consent Order.

29. Any deadlines, reporting requirements, other provisions, or requirements set forth in this Consent Order may be altered or terminated by written approval of the OFFICE. Such written approval by the OFFICE is subject to statutory or administrative regulation limitations.

30. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS expressly waive a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which they may be entitled by law or rules of the OFFICE. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS hereby knowingly and voluntarily waive all rights to challenge or to contest this Consent Order in any forum available to them, now or in the future, including the right to any administrative proceeding, state or federal court action, or any appeal.

31. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS affirm that all requirements set forth herein are material to the issuance of this Consent Order.

32. APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS agree that, upon execution of this Consent Order, failure to adhere to one or more of the terms and conditions contained herein may result, without further proceedings, in the OFFICE suspending, revoking, or taking other administrative action as it deems appropriate upon DIRECT GENERAL's Certificate of Authority in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

33. Each party to this action shall bear its own costs and fees.

34. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signatures of the authorized representative of APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, APPLICANT, AIH, DIRECT GENERAL, NATIONAL GENERAL MANAGEMENT, and NATIONAL GENERAL HOLDINGS agree that the signatures of their authorized representatives as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, the agreement between DIRECT GENERAL INSURANCE COMPANY, ALLSTATE INSURANCE HOLDINGS, LLC, THE ALLSTATE CORPORATION, NATIONAL GENERAL MANAGEMENT CORP., NATIONAL GENERAL HOLDINGS CORP., and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED, and the Application for the indirect acquisition of 100% of the issued and outstanding voting securities of DIRECT GENERAL INSURANCE COMPANY by THE ALLSTATE CORPORATION, pursuant to Section 628.461, Florida Statutes, is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 23 day of December, 2020.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, THE ALLSTATE CORPORATION consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind THE ALLSTATE CORPORATION to the terms and conditions of this Consent Order.

THE ALLSTATE CORPORATION

By: Michael A. Pedraja

[Corporate Seal]

Print Name: Michael A. Pedraja

Title: Senior Vice President and Treasurer

Date: 12/22/2020

STATE OF Virginia

COUNTY OF Hampton

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 22nd day of December 2020, by Michael A. Pedraja
(name of person)

as Senior Vice President and Treasurer for The Allstate Corporation
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Rebekah Louise Zug Napier
(Signature of the Notary)

Rebekah Louise Zug Napier
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification x

Type of Identification Produced Drivers License

My Commission Expires 05/31/2024



By execution hereof, NATIONAL GENERAL HOLDINGS CORP., consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind NATIONAL GENERAL HOLDINGS CORP., to the terms and conditions of this Consent Order.

NATIONAL GENERAL HOLDINGS CORP.

By: Jeffrey Weissmann

[Corporate Seal]

Print Name: Jeffrey Weissmann

Title: General Counsel & Secretary

Date: 12/22/2020

STATE OF Virginia

COUNTY OF Hampton

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 22nd day of December 2020, by Jeffrey Weissmann
(name of person)

as General Counsel & Secretary for NATIONAL GENERAL HOLDINGS CORP.
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Rebekah Louise Zug Napier
(Signature of the Notary)

Rebekah Louise Zug Napier
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification x

Type of Identification Produced Drivers License

My Commission Expires 05/31/2024



By execution hereof, NATIONAL GENERAL MANAGEMENT CORP., consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind NATIONAL GENERAL MANAGEMENT CORP., to the terms and conditions of this Consent Order.

NATIONAL GENERAL MANAGEMENT CORP.

By: Jeffrey Weissmann

[Corporate Seal]

Print Name: Jeffrey Weissmann

Title: General Counsel & Secretary

Date: 12/22/2020

STATE OF Virginia

COUNTY OF Hampton

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 22nd day of December 2020, by Jeffrey Weissmann
(name of person)

as General Counsel & Secretary for NATIONAL GENERAL MANAGEMENT CORP.
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Rebekah Louise Zug Napier
(Signature of the Notary)

Rebekah Louise Zug Napier
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification x

Type of Identification Produced Drivers License

My Commission Expires 05/31/2024



By execution hereof, DIRECT GENERAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind DIRECT GENERAL INSURANCE COMPANY to the terms and conditions of this Consent Order.

DIRECT GENERAL INSURANCE COMPANY

By: Jeffrey Weissmann

[Corporate Seal]

Print Name: Jeffrey Weissmann

Title: General Counsel & Secretary

Date: 12/22/2020

STATE OF Virginia

COUNTY OF Hampton

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 22nd day of December 2020, by Jeffrey Weissmann
(name of person)

as General Counsel & Secretary for DIRECT GENERAL INSURANCE COMPANY
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Rebekah Louise Zug Napier
(Signature of the Notary)

Rebekah Louise Zug Napier
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification _____^x

Type of Identification Produced Drivers License

My Commission Expires 05/31/2024



By execution hereof, ALLSTATE INSURANCE HOLDINGS, LLC, consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind ALLSTATE INSURANCE HOLDINGS, LLC, to the terms and conditions of this Consent Order.

ALLSTATE INSURANCE HOLDINGS, LLC,

By: Michael A. Pedraja

[Corporate Seal]

Print Name: Michael A. Pedraja

Title: Senior Vice President and Treasurer

Date: 12/22/2020

STATE OF Virginia

COUNTY OF Hampton

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 22nd day of December 2020, by Michael A. Pedraja
(name of person)

as Senior Vice President and Treasurer for Allstate Insurance Holdings, LLC
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

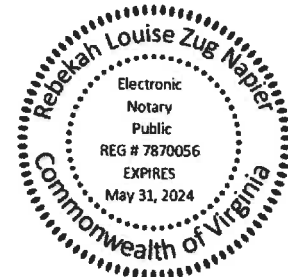
Rebekah Louise Zug Napier
(Signature of the Notary)

Rebekah Louise Zug Napier
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification X

Type of Identification Produced Drivers License

My Commission Expires 05/31/2024



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