

ORGANIZATIONAL EXAMINATION
OF
INDEPENDENCE PET INSURANCE COMPANY
AS OF
NOVEMBER 1, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
INDEPENDENCE PET INSURANCE COMPANY
AS OF
NOVEMBER 1, 2023

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 17th day of November, 2023

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November 7, 2023

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 101
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 23.917, dated October 6, 2023, an Organizational Examination has been conducted of

Independence Pet Insurance Company

hereinafter referred to as IPIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company's registered agent is The Corporation Trust Company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The Company's administrative office address is located at 11333 N. Scottsdale Road, Suite 160, Scottsdale, Arizona, 85254.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a property and casualty insurer Certificate of Authority in the State of Delaware.

The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of November 1, 2023, have been reviewed.

HISTORY

The Company was incorporated on June 13, 2023, under the laws of the State of Delaware and was authorized to issue five thousand (5,000) common shares with a \$600 par value per share. The Company issued a capital stock certificate to Independence American Holdings Corp. (IAHC), a Delaware holding company, on October 31, 2023, for five thousand (5,000) common shares as follows:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Total</u>
#1	5,000	10/31/2023	\$3,000,000	\$14,200,000	\$17,200,000

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted June 29, 2023, the business and affairs of the Company shall be managed by a Board. The number of directors shall be not less than five nor more than fifteen and may be fixed or changed from time to time by resolution of the Board. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified. The directors serving as of the examination date were as follows:

Jon Andrew Dubauskas
Lane Bront Kent
Sammi-Jo Chong Nevin
David Thomas Kettig
David Harry Strauss
Dennis Colin Rushovich
Teresa Allen Akshar Herbert

Committees of the Board of Directors

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a President, Secretary, Treasurer, Secretary, one or more Vice Presidents and such Assistant Secretaries and Assistant Treasurers as deemed necessary, who shall hold office until their successors are elected and qualified. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Jon Andrew Dubauskas	President and Chief Actuary
Sammi-Jo Chong Nevin	Secretary and General Counsel
Keith Edward Graham	Treasurer and Chief Financial Officer
Adam Guarino	Vice President and Controller
Lee Ann Karr	Chief People Officer

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the director and officer noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective October 16, 2023.

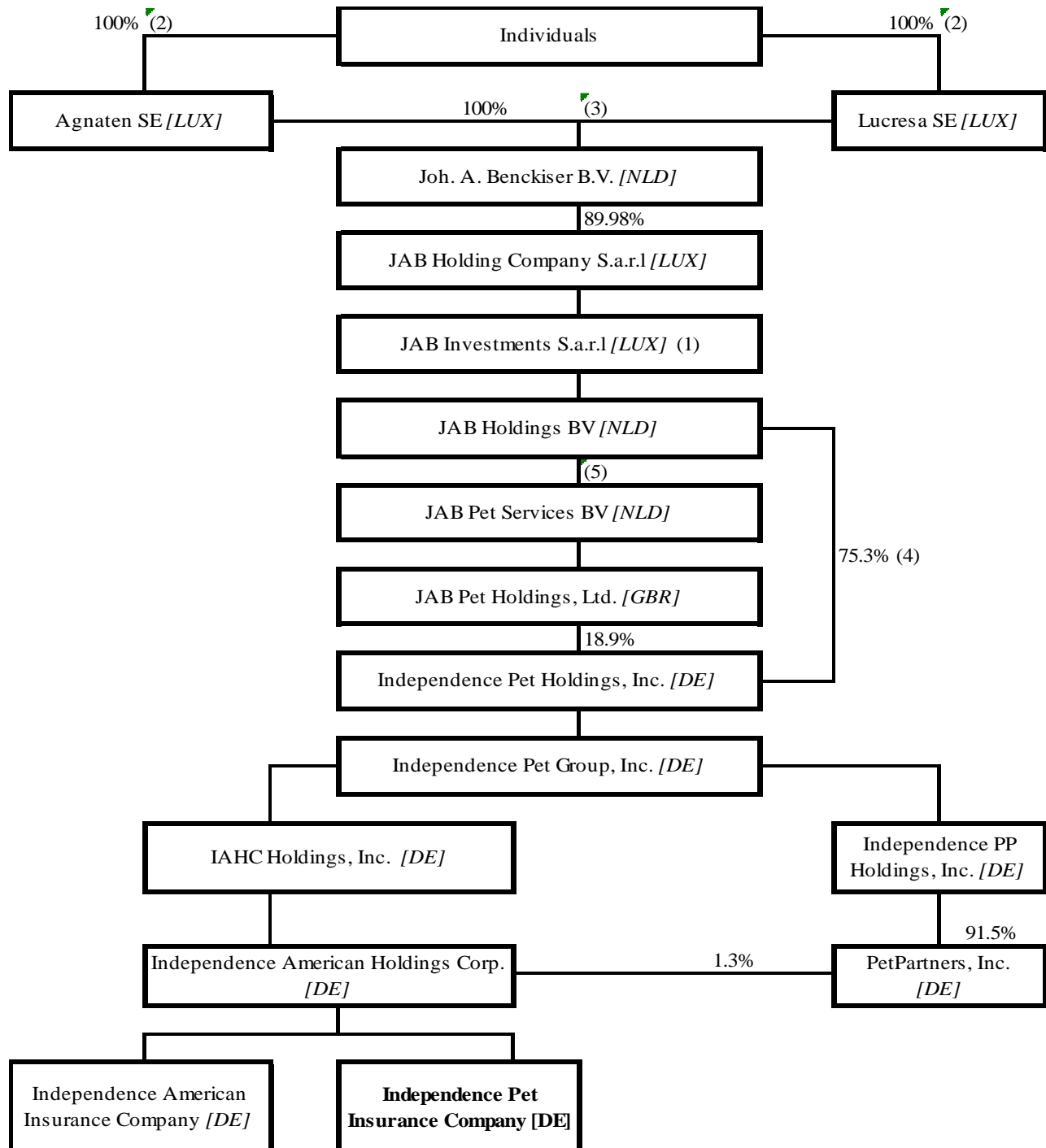
A conflict of interest statement was completed by the directors and officers noted above.

The Company has adopted an Investment Guidelines / Policy.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 Del. C. §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The Company is a wholly-owned subsidiary of IAHC. The organizational chart below, provided by management as of November 1, 2023, purports that JAB Holding Company (JAB HoldCo), a private limited liability company domiciled in Luxembourg, is the ultimate controlling entity.



Independence Pet Insurance Company

- Notes Unless otherwise noted, ownership of each subsidiary by the immediate parent is 100%.
1. JAB is a global investment organization focused on consumer goods and services. Omitted from this chart are its portfolio company investments outside of the control and management structure of Independence Pet Holdings, Inc.
 2. The Individuals (i.e., Wolfgang Reimann, Matthias Reimann-Andersen, Stefan Reimann-Andersen and Renate Reimann-Haas) collectively control 100% of each of Lucesca SE and Agnaten SE.
 3. Lucesca SE and Agnaten SE collectively own 100% of Joh. A. Benckiser B.V.
 4. JAB Holdings BV owns approximately 75.3% and JAB Pet Holdings Ltd. owns approximately 18.9% of the shares of Class A voting common stock of Independence Pet Holdings, Inc. JAB Pet Holdings Ltd. owns approximately 94% of the shares of Class B non-voting common stock of Independence Pet Holdings, Inc. (Iguana Acquisition LLC owns a de minimis number of shares of Class B non-voting common stock of Independence Pet Holdings, Inc.)
 5. JAB Holdings BV owns 100% of the Class A voting common shares of JAB Pet Services BV. The Class B non-voting common shares of JAB Pet Services BV will be owned approximately 34.9% by JAB Holdings BV and approximately 63.8% by JAB Consumer Partners SCA SICAR.

Joh. A. Benckiser B.V. (JABBV), an entity domiciled in Netherlands owns 89.88% of JAB HoldCo. Furthermore, two Luxembourg-domiciled entities, Lucesca SE and Agnaten SE, combined own 100% of JABBV. Lastly, four related family members, Wolfgang Reimann, Mathias Reimann-Andersen, Stefan Reimann-Andersen, and Renate Reimann-Haas (collectively, Reimann Family), collectively own 100% of both Lucesca SE and Agnaten SE. Collectively, the Reimann Family is the ultimate controlling entity of the Company.

FIDELITY BOND

The Company is covered on the Independence Pet Holdings, Inc. financial institution bond with United States Fire Insurance Company, originally effective April 1, 2023, by a rider effective October 23, 2023, with an aggregate liability limit of \$2,000,000, a single loss limit of \$1,000,000 and a single loss deductible of \$50,000. Based on the Company's pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$150,000 at year-end 2024, \$225,000 at year-end 2025, and \$250,000 at year-end 2026.

AGREEMENTS

Affiliated

As of the examination date, the Company is not a party to any intercompany tax allocation agreement or intercompany service agreements.

After licensure, the Company will become a party to the Intercompany Services Agreement with affiliate Independence Pet Group, Inc. (IPG).

Furthermore, after licensure, the Company will become a party to an Agency Producer Agreement with affiliate PetPartners, Inc. (PPI).

Lastly, after licensure, the Company will become a party to the Tax Allocation Agreement with affiliate Independence Pet Holdings, Inc. (IPH) and other affiliates originally effective February 1, 2023, via a Joinder Agreement. Affiliates IAHC and Independence American Insurance Company (IAIC) are already a party to this agreement.

Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Delaware Department of Insurance (Department) prior to becoming effective.

Unaffiliated

Effective July 17, 2023, the Company is a party to a custodial agreement with U.S. Bank, N.A.

Once the Company becomes licensed, it will become a party to the Discretionary Advisory Agreement (referred to by management as an Investment Management Agreement) with Goldman Sachs Asset Management, L.P. (GSAM, a Delaware limited partnership) and affiliate Independence Pet Group, Inc. and listed affiliates, originally effective July 28, 2023. Affiliates IAHC and IAIC are already a party to this agreement.

PLAN OF OPERATION

The Company plans to obtain licensing in all fifty U.S. States, District of Columbia and Puerto Rico and proposes to offer the following pet insurance products:

Individual Policies

- Coverage for Accident and Illness
 - o Covers claims for treatment such as surgery, lab testing, diagnostic procedures, prescription medication, hospitalization, physical therapy and emergency care.
 - o Covers a variety of conditions such as cancer, allergies and behavioral problems.
- Coverage for Accident Only on an Individual Policy Form
 - o Covers claims related to accidents, not illnesses.
 - o Covers claims for treatment such as emergency care, diagnostic and lab testing, hospitalization and surgery.
- Optional Riders are available on both plans to enhance the coverage, such as preventive care and rehabilitation.

Benefits

Under all of the Company's proposed plans, medical treatment will be obtained from any licensed clinic/veterinarian and reimbursements will be based on eligible billed charges, subject to deductible, coinsurance and policy limits. The Company anticipates deductibles on these products to range from \$50 to \$2,000 with policy annual limits to range from \$1,000 to unlimited.

Marketing

The Company anticipates marketing its pet insurance products via Managing General Agents, including the Company's affiliated downline agents and brokers, if applicable. The

Company anticipates the appointment of affiliate PetPartners, Inc. as its Managing General Agent. The Company anticipates that the bulk of sales will occur via direct-to-consumer.

The Company's primary form of advertisement for individual products will be via the internet. The Company will also contract with affinity groups and strategic partners to provide individual pet insurance to their members. All partners will be required to submit advertising content through a review and approval process.

REINSURANCE

As of the examination date, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated. Management does not anticipate entering into any reinsurance agreements or ceding arrangements.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$650,000 as the minimum common capital stock and \$350,000 as the minimum gross paid in and contributed surplus for a stock multi-line property and casualty insurance company. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$650,000
Gross Paid-in and Contributed Surplus	<u>350,000</u>
Capital and Surplus as Regards Policyholders	<u>\$1,000,000</u>

FINANCIAL DATA

The financial position of the Company as of November 1, 2023, as determined by this organizational examination, was as follows:

	<u>Assets</u>	<u>Note</u>
Cash (\$288), Cash Equivalents (\$0) and Short-term Investments (\$17,200,000)	<u>\$17,200,288</u>	1
Total Admitted Assets	<u>\$17,200,288</u>	
<u>Liabilities, Capital and Surplus</u>		
General Expenses Due and Accrued	\$ 0	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$ 3,000,000	
Gross Paid In and Contributed Surplus	14,200,000	
Unassigned Funds	<u>288</u>	
Capital and Surplus as Regards Policyholders	<u>\$17,200,288</u>	
Total Liabilities, Capital and Surplus	<u>\$17,200,288</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1 Cash, Cash Equivalents and Short-term Investments \$17,200,288

The reported balance of \$17,200,288 consists of \$288 in cash and \$17,200,000 in short-term investments in a custodial account at U.S. Bank, N.A. (USB), which was confirmed directly with the financial institution.

The Company intends to purchase a \$2,700,000 par value U.S. Treasury bond from the USB custodial account holdings and place it into a special deposit account at U.S. Bank Trust Company, N.A. for the benefit of Delaware policyholders as a condition of licensure.

RECOMMENDATIONS

The following recommendation is made as a result of this examination:

Affiliated Agreements

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Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.

Notes to Financial Statements

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The Company intends to purchase a \$2,700,000 par value U.S. Treasury bond from the USB custodial account holdings and place it into a special deposit account at U.S. Bank Trust Company, N.A. for the benefit of Delaware policyholders as a condition of licensure.

CONCLUSION

Based on the organizational examination conducted as of November 1, 2023, the financial condition of the Company is as follows:

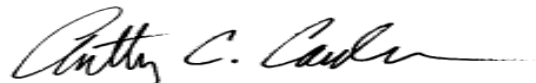
Assets	\$17,200,288
Liabilities	\$ 0
Capital and Surplus as Regards Policyholders	\$17,200,288

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Independence Pet Insurance Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 23.917.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini". The signature is written in a cursive style with a prominent initial "A".

Andrew E. Chiodini, CFE