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Pennsylvania Regulator Approves Clal U.S. Holdings Sale to National Indemnity

HARRISBURG, Pa. - National Indemnity Co.'s cash acquisition of Clal U.S. Holdings Inc. has been approved by Pennsylvania regulators, the final hurdle before the deal can close, according to state documents.

Clal U.S. Holdings, which is a subsidiary of Israel's Clal Insurance Enterprises Holdings Ltd., owns Pennsylvania-based Guard Insurance Group. The deal means National Indemnity, which is a unit of Warren Buffett's Berkshire Hathaway Inc., will control Guard's four companies, which write workers' compensation insurance to small- and medium-size companies.

National Indemnity is to finance the deal with cash on hand, according to an order from the Pennsylvania Insurance Department. The price is \$221 million and the release of a \$48 million guarantee given by Clal Insurance to secure a loan to Clal US Holdings, Inc., from a foreign bank, according to BestLink, A.M. Best Co.'s online financial system.

A spokesman for Guard said the company would comment after the deal closed.

National Indemnity in August submitted the acquisition proposal to Pennsylvania regulators. The application stipulates that National Indemnity has no plans to liquidate or sell the Guard companies.

The Guard Insurance Group's net income has followed a general upward trend in the past five years, booking \$30.1 million in 2011, according to BestLink. The company has a five-year average combined ratio of 91.7, which is far below the industry composite of 115.2. Business in California, New York and New Jersey make up about 53% of the company's book.

The Guard Insurance Group companies currently have a Best's Financial Strength Rating of A- (Excellent), but that rating is under review pending the completion of the deal and additional discussions with Guard management. National Indemnity Co. is currently rated A++ (Superior).

(By Michael Buck, senior associate editor, BestWeek: Michael.Buck@ambest.com) BN-NJ-10-23-2012 1627 ET #

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