

CERTIFICATION OF RAYMOND K. CONOVER (NOVEMBER 20, 2023)

**SUPERIOR COURT OF NEW JERSEY – APPELLATE DIVISION**

IN THE MATTER OF  
BULLETIN NO. 22-11

APPELLATE DIVISION  
DOCKET NO: A-001626-22

ON APPEAL FROM THE  
AGENCY DECISION ENTERED  
ON DECEMBER 20, 2022, BY  
THE STATE OF NEW JERSEY,  
DEPARTMENT OF BANKING  
AND INSURANCE

**CERTIFICATION OF RAYMOND K. CONOVER**

I, Raymond K. Conover, hereby certify as follows:

1. I am currently the managing member of my consulting firm, Conover Insurance Regulatory and Compliance Services, that assists clients in dealing with regulators at state insurance departments, including submitting filings, financial reviews and audits. This includes submission of the Form A that is required by the Holding Company Act.
2. Before opening my consulting firm in 2012, I worked for the New Jersey Department of Banking and Insurance (the “Department”) for more than thirty years. A true and accurate copy of my resume is attached as Exhibit A.
3. I make this Certification in support of the amicus application submitted by Reciprocal Management Company (“RMC”) which is the attorney-in-fact for Citizens United Reciprocal Exchange (“CURE”). I have reviewed RMC’s Amicus application, and I agree with its recitation of the historical background concerning the Holding Company Act and the fact that the Department has historically never applied it to

- reciprocals like CURE or their attorneys-in-fact (“AIF”). Similarly, the Department has not applied Statement of Statutory Accounting Principal No. 25 (“SSAP No. 25”) to the fees paid by the individual subscribers to the AIF (the “AIF Fees”).
4. From 1991-1999, I was the Assistant Chief Insurance Examiner—Financial Analysis for the Department. In this role, I developed the Department’s financial analysis procedures, participated in the development of the NAIC’s Financial Analysis Handbook and led the Department’s financial accreditation reviews.
  5. From 1999-2012, I was the Chief Insurance Examiner, Office of Solvency Regulation.
  6. In this position, I was responsible for the operations of the Field Examination, Financial Analysis and Health Financial Analysis Units of the Department. These units monitor and perform examinations of all of the insurance entities in the State. These are the groups that perform the examinations and issue management letters to insurance entities, such as those referred to by RMC in its amicus brief.
  7. Although there were discussions within the Department during this period about applying the Holding Company Act to reciprocals, the Commissioner rejected that idea. This is reflected in CURE’s examinations reports and management letters.
  8. Specifically, prior to Bulletin 22-11, the Department’s final comments about compliance with the Holding Company Act to CURE were contained within a 2007 management letter, not the examination report that was issued concurrently. This is significant because examination reports are required to include the Department's position on alleged statutory and regulatory violations. If a recommendation appears in a management letter, but not in an examination report, that is proof that the

Department does not consider the insurer's actions to be a violation of any law or regulation. This is consistent with my experience and understanding that the Department did not believe the Holding Company Act applied to reciprocals at that time, absent changes to the law through legislation. Stated differently, if the Department believed CURE was in violation of the Holding Company Act when it issued the 2007 management letter, there is no doubt that CURE's alleged violation of the Holding Company Act would have been included in the examination report as well.

9. Further, New Jersey never adopted the NAIC Model legislation, which has since been withdrawn, and never adopted any other legislation that would have permitted the Department to apply the Holding Company Act to reciprocals.
10. Thus, in light of the Department's acknowledgment that the Holding Company Act did not apply to reciprocals and the Legislature's decision not to pass legislation changing that fact, the Department dropped any discussion of compliance with the Holding Company Act as part of its examinations for CURE. It was never again raised while I was with the Department or since I have been a consultant until Bulletin 22-11.
11. In my role as Chief Insurance Examiner, I had oversight of interactions with insurance entities that were experiencing financial difficulties, reviewed applications by entities seeking to transact business in New Jersey and reviewed reinsurance agreements.
12. As a result of my roles, I was aware of the forms the Department required the various insurance entities to submit, including those under the Holding Company Act. The

Department never required reciprocals to submit the Holding Company Act Forms A-D.

13. I was also aware of the criteria that the Department applied when reviewing the financial statements and other documents to determine the financial status of insurance entities. The Department never applied SSAP No. 25 to the AIF Fees paid by the individual subscribers of reciprocals.
14. In 2004, I also took on the role of Assistant Commissioner, Office of Solvency Regulation (“OSR”). As the Assistant Commissioner for OSR, I managed the OSR operations, oversaw the financial surveillance operations and rehabilitation/liquidation issues.
15. I also had oversight of alternative market operations, admissions and mergers and acquisitions, like the type of transaction CURE and MGG sought to complete in 2022.
16. The Department never required a reciprocal to agree to be subject to the Holding Company Act as a condition of approving the type of transaction for which CURE and MGG sought approval in 2022. Nor had the Department ever imposed a requirement that SSAP No. 25 apply to the AIF Fee as a condition of approval.
17. Although I retired from the Department in 2012, I have continued to be involved with it through my consulting business, pursuant to which I advise insurance companies on their compliance obligations and interacted with the Department regarding same and also perform financial examinations and market conduct examinations of insurance entities on behalf of regulators.

18. At no time since my retirement had I encountered a situation where the Department required a reciprocal to comply with the requirements of the Holding Company Act or where the Department insisted on applying SSAP No. 25 to the AIF Fees paid by the individual subscribers to the AIF.
19. The position that the Department took with respect to approving the CURE-MGG transaction is not consistent with its past practice or statements based on my experience.
20. The same is true with respect to the Department's statements in Bulletin 22-11. While the Department claims that the Bulletin simply clarifies its past position, it is actually a significant departure from the Department's past practice and statements. It is not consistent with my 30+ years of experience at the Department.

I certify that the foregoing statements made by me are true. I am aware that I am subject to penalty if any of the foregoing statements made by me are willfully false.

  
Raymond K. Conover

Date: November 20, 2023