

015

RECEIVED  
Corporate & Financial Regulation

September 30, 2014

OCT 02 2014

Pennsylvania  
Insurance Department

Michael F. Consedine, Commissioner  
Pennsylvania Insurance Department  
1326 Strawberry Square  
Harrisburg, Pennsylvania 17120

RE: Conversation and Corresponding Form A Filing for Proposed Change of  
Control of Saucon Mutual Insurance Company

Dear Commissioner Consedine:

I am a member of Saucon Mutual Insurance Company and I write in opposition to the plan of conversion adopted by the company's Board of Directors. Pennsylvania has a well-established methodology for the mutual to stock conversion of a mutual insurance company. The methodology is grounded in the acknowledgement that policyholders have the highest rights of any constituency and it grants policyholders the first right to purchase stock in a converting mutual. This method has been used successfully in the conversion of Old Guard Mutual Insurance Company, Mercer Mutual Insurance Company, Penn Millers Mutual Holding Company and Educators Mutual Life Insurance Company.

The plan adopted by the Board of Directors of Saucon denies members any right to purchase stock in Saucon Mutual. Instead, the plan proposed by the Board only offers Saucon members with an aggregate payment to members of slightly more than \$1 million and a contribution of \$1 million to a community foundation which has a Saucon Director on its Board. The right to purchase stock is granted solely to insiders. They propose to purchase all the stock of Saucon for approximately \$3.25 million.

As of June 30, 2014, Saucon reported statutory surplus of approximately \$16.3 million. After the proposed distributions to members and the community foundation totaling slightly more than \$2 million, Saucon will have surplus of over \$14.3 million. Thus, upon investing \$3.25 million, the directors will completely own a company with surplus of approximately \$16.85 million (\$14 million + \$3.25 million - expenses of \$700,000).

This is grossly unfair to members and an egregious act of self-dealing by a Board of Directors in violation of their fiduciary duty. It simply can not be permitted.

I, together with others, expect to propose a plan of conversion that will be fair to policyholders and consistent with the Pennsylvania Mutual to Stock Conversion Act. To that end, we have demanded a policyholder list from the company so that we can communicate our opposition to the current plan as well as propose a plan that is fair to members. But for now, we wish only to register our strong objection to management's proposed plan.

We understand that the Commissioner has the discretion to hold a hearing to consider a plan of conversion. We strongly urge the Commissioner to convene a hearing on management's plan to permit members to voice their disapproval.

05

Commissioner Michael F. Consedine  
Pennsylvania Insurance Department  
September 30, 2014  
Page 2

I thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Anthony G. Stellar', with a long horizontal flourish extending to the right.

Anthony G. Stellar, individually and as Trustee  
of Deborah Stellar Trust  
5190 Memorial Drive, Schnecksville, PA 18018

c: Stephen Johnson, Deputy Insurance Commissioner  
Brian Regan, Chairman and President, Saucon Mutual Insurance Company

CERTIFIED MAIL: 7001 2510 0002 0411 3982