

January 12, 2015

Frances R. Roggenbaum, Esquire
Saul Ewing LLP
2 North Second Street, 7th Floor
Harrisburg, PA 17101-1619

Re: Saucon Mutual Insurance Company
Conversion from Mutual to Stock Form of Organization

Dear Ms. Roggenbaum:

The Pennsylvania Insurance Department (the “Department”) has made a preliminary review of the demutualization application of Saucon Mutual Insurance Company (“Saucon Mutual”) and the Form A application of Saucon Holding Company, Brian Regan, Michael Crofton and Martin Gilchrist (collectively hereinafter referenced as “the Proposed Transactions”). Based upon this preliminary review, the Department has compiled the below list of additional items necessary to the review of the filing. Your responses and any related documents will become part of the public files, unless you have asserted the confidentiality of the information and the Department has accepted such assertion. When preparing your response, please reference the number of the Department’s request to which you are responding.

Plan of Conversion

1. Section I. Provide copies of board minutes and board presentations in which the proposed transaction was discussed/presented in addition to discussions/presentations of alternative options.
2. Section II. B. Saucon Mutual, upon conversion (hereinafter referenced as “Saucon Stock”), will be required to maintain a minimum capital of \$950,000 and paid-in and contributed surplus of \$475,000 for the lines of authority for which it is presently licensed. The current plan does not provide for the required surplus.
3. Section II.B. Saucon Mutual should make a formal request for Department approval of the intended name. Such an approval is necessary for filing with the Department of State along with the amended Articles of Incorporation.
4. Section III.A. What is Saucon Mutual’s interest in using both “Eligible Policyholders and/or Eligible Members” when the Mutual-to-Stock Conversion Act defines “Eligible Member?”

5. Section III. A. The filing notes “Saucon Mutual will not issue any new policies between the date that the Plan was approved by the Board of Directors and the closing date of the Conversion.” This commitment is also made in Section IX. Please confirm that this is still the intent of Saucon Mutual in light of the fact that a decision on the filing was not made in order for Saucon Mutual to reach its target closing date of December 31, 2014.
6. Section IV.A. – Explain how the amount of cash and other consideration to policyholders was determined.
7. Section IV.A.1.A. and 2.A. – Consider clarifying that payment is based on the number of full years in which the policy has been in effect.
8. Section IV.A.1.C. – What is the projected financial impact? Explain whether the changes outlined in this section constitute a change to the terms of the policies in contravention to 40 PS 914-A(a)(2)(i).
9. Section XIII.A. – Amendment of the plan requires the affirmative vote of not less than two-thirds of the board of directors of Saucon Mutual. See 40 P.S. §913-A(a)
10. Consider amending the filing to remove all references/requests to target a December 31, 2014 closing.
11. Identify the proposed independent directors of Saucon Stock and the proposed members of the audit committee and nominating & compensation committee.
12. Tab B – The bylaws of Saucon Holding Company appear to be a duplicate of those intended for Saucon Stock containing provisions not applicable to the holding company (i.e. IV.1.A discussion of president duties re: policies & endorsements).
13. The proxy voting instructions (1 vote per member per policy) is in conflict with the current bylaws of Saucon Mutual. (See Article VII. Section 2. – each member in good standing shall be entitled to one (1) vote at any regular or special meeting of policyholders.)

Policyholder Information Statement and Proxy Statement

14. Page 3, paragraph 3 – The first sentence is incomplete.
15. Page 7, chart, “Financial Benefits of Membership in the Company” – The “Mutual Insurance Companies” column should discuss benefits as a member of a mutual insurance company and not “upon demutualization.”
16. Page 15, A., paragraph 2 – The second sentence contains a typo.

Form A Statement

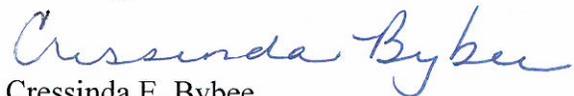
17. Item 4.A. Nature, Source and Amount of Funds - Explain how Saucon Stock will be capitalized provided "no consideration will be paid by Saucon Holdings for these shares."
18. Item 4.B. Criteria Used in Determining the Nature and Amount of the Consideration - Discuss the rationale for this decision.

General

19. Provide copies of any comments received on the Proposed Transactions that are not already on file with the Department.
20. Describe A.M. Best's reaction to the Proposed Transactions.
21. Provide a pro forma balance sheet at closing for Saucon Holding Company, Saucon Stock and Saucon Insurance Agency.
22. Provide a status on policyholder search efforts.

Feel free to contact me at (717) 783-2144 or cbybee@pa.gov to discuss any of the above requests.

Sincerely,



Cressinda E. Bybee
Senior Insurance Company Licensing Specialist
Company Licensing Division