

Bybee, Cressinda

From: Steve Bajan <steve.bajan@sauconinsurance.com>
Sent: Wednesday, August 05, 2015 1:20 PM
To: 'jselber@comcast.net'
Cc: Bybee, Cressinda
Subject: Saucon Mutual Response
Attachments: M&M Selber Response Letter.pdf

Mr. & Mrs. Selber:

Please see the attached letter written in response to your inquiry to Cressinda Bybee of the Pennsylvania Insurance Department on July 31. As I indicated in the letter, if any further explanation be helpful please feel free to contact me at this email address or, by telephone, at 610.868.1832. Thanks you for your interest in Saucon.

Best regards,

Stephen Bajan
CEO



610.868.1832



610.868.1800

74 West Broad Street, Suite 300
Bethlehem, PA 18018
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August 5, 2015

Gerald & Janet Selber
1615 Ridgeway Road
Havertown, PA 19083

Sent via email to jselber@comcast.net with hard copy via US Priority Mail

Mr. & Mrs. Selber:

Thank you for your decision to purchase a Saucon Mutual perpetual policy in 2005 and for your loyalty in remaining a policyholder since that date. Your inquiry of 7/31/15 has been passed on to us by Cressinda Bybee of the Pennsylvania Insurance Department (Department) for response.

Your inquiry asks about the effects of Saucon Mutual's proposed conversion from a mutual insurer to a stock insurer on your status as a policyholder, your premium and other possible changes in your relationship with Saucon after the implementation of the conversion upon approval by the Department and Saucon's eligible members.

Please be assured that your Saucon Mutual policy and your policyholder relationship with Saucon Mutual and its proposed stock insurance company successor, Saucon Insurance Company, will remain unchanged as a result of the conversion. The terms of your policy with respect to coverage limits and deductibles and all policy documents, with the exception of the change of the company name to Saucon Insurance Company on the declaration page, will remain identical before and after the conversion. The perpetual nature of your policy will continue and, as such, your policy has no premiums. The initial deposit you made at policy inception along with all subsequent Annual Adjustment of Limits deposits, after reduction for the 15% Return of Deposit discussed in "2." below, will remain as a Saucon liability payable to you in full in accordance with your policy terms.

With respect to changes in your relationship with Saucon and changes to your premium/deposit, below is a list of those changes:

- By virtue of your being a Saucon Mutual policyholder, you are a member of Saucon Mutual. As a member you are entitled to certain rights including voting rights, such as the right to elect directors or approve a conversion to a stock insurer, and the right to participate in any dividends declared by the board of directors (it should be noted that Saucon Mutual has not paid any dividends for at least the past 25 years nor does the board have any plans to declare or pay a dividend in the foreseeable future). Upon conversion, your rights as a member will be extinguished.
- However, you would receive the following as consideration for the extinguishment of your rights as a member of Saucon Mutual:

1. You would not be charged for the increase in your coverage under provisions of the Annual Adjustment of Limits (AAOL) Endorsement of your policy. Since 2010 you have been invoiced annually for the additional deposit necessary to support the 4% annual increase in coverage as provided for in the AAOL endorsement. Upon implementation of the conversion, the AAOL endorsement will remain in effect and your coverage will be increased 4% annually; however you will no longer be invoiced for an additional deposit. The additional coverage, for the remaining life of your policy, will be supported by your deposit balance held by Saucon as of the date of conversion.
2. A return of a portion of your current deposit will be made to you. This amount would be calculated at 15% of your perpetual deposit (including your initial deposit plus all subsequent AAOL deposits), but is subject to possible change until approval is granted by the Department. The balance of your deposit (the remaining 85%) will be returnable upon cancellation of the policy.
3. A cash loyalty payment will be made to you. This loyalty payment would be calculated by multiplying the number of days that your policy has been in effect from the date of inception to the conversion closing date by \$0.2787 per day (rounded to the nearest dollar). This formula, as with the formula for the return of deposit, is subject to possible change until approval is granted by the Department.

Again, we thank you for your loyalty as a Saucon Mutual policyholder. Please feel free to contact me if you have any additional questions.

Respectfully,



Stephen Bajan
CEO

cc: Cressinda E. Bybee, Pennsylvania Insurance Department