

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Paul C. Read Requesting	:	Holding Companies Act, Article
Exemption from the Requirements of 40	:	XIV of the Insurance Company
P.S. §991.1402 to Increase his Percentage	:	Law of 1921, Act of May 17, 1921,
of Direct Control of Allegheny Group,	:	P.L. 682, <u>as amended</u> , 40 P.S.
Inc., Parent of Allegheny Surety Company	:	§§991.1401, 991.1402, and
	:	991.1403
	:	
	:	Order No. ID-RC-18-08

DECISION AND ORDER

AND NOW, on this 12th day of July, 2018, Joseph DiMemmo, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. Allegheny Surety Company (“ASC”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania.
2. The Allegheny Group, Inc. (“Group”) is a domestic insurance holding company organized pursuant to the laws of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania. Group currently directly holds 100% of the issued and outstanding common stock of ASC.

3. Paul C. Read (“Mr. Read”) is an individual with his principal place of business in Pittsburgh, Pennsylvania. Mr. Read currently directly holds approximately 27.985% of the issued and outstanding common stock of Group.
4. Richard J. Taylor (“Mr. Taylor”) is an individual with his principal place of business in Pittsburgh, Pennsylvania. Mr. Taylor currently directly holds approximately 27.985% of the issued and outstanding common stock of Group.
5. Anthony P. Lekse (“Mr. Lekse”) is an individual with his principal place of business in Pittsburgh, Pennsylvania. Mr. Lekse currently directly holds approximately 11.39% of the issued and outstanding common stock of Group.
6. Read-Collins Associates, Inc. (“RCA”) is a business corporation with its principal place of business in Pittsburgh, Pennsylvania. RCA directly holds approximately 8.2% of the issued and outstanding common stock of Group. Messrs. Read and Taylor each individually directly own 50% of the common stock of RCA.
7. Mr. Read, Mr. Taylor and Mr. Lekse are the ultimate controlling persons of ASC.

Filing of the Application

8. On June 7, 2018, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “the Application”) from Mr. Read for approval to increase his direct control of Group.
9. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
11. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not have the effect of changing or influencing the control of a domestic insurer, or
 - b. is otherwise not comprehended within the purposes of the section.

The Transaction

12. As described in the Application, RCA will transfer 4.1% of the issued and outstanding common stock of Group to Mr. Read (the "Transfer").
13. As described in the Application and subsequent to the Transfer, Mr. Read will directly hold approximately 32.105% of the issued and outstanding common stock of Group.
14. As described in the Application and subsequent to the Transfer, Mr. Read, Mr. Taylor and Mr. Lekse will remain as the ultimate controlling persons of ASC.
15. The Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
16. The Deputy Commissioner finds that the transaction described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
17. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Insurance Commissioner has delegated authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer to the Deputy Insurance Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The increase in the percent of ownership of voting securities as proposed in the Application is not being contemplated to change or influence the ultimate control of ASC, and, therefore, is exempt from the requirements of Section 1402(b) of the

Insurance Holding Companies Act.

- 6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.**

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: 991.1403
: :
: Order No. ID-RC-18-08

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

An approving determination for the application of Paul C. Read requesting exemption from the requirements of 40 P.S. §991.1402 to increase his percentage of direct control of Allegheny Group, Inc., parent of Allegheny Surety Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.



A handwritten signature in black ink, appearing to read "Joseph I. Dimemmo".

JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation