

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Alan J. Kaufman	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for	:	Law of 1921, Act of May 17, 1921,
the Restructure of the Holding	:	P.L. 682, <u>as amended</u> , 40 P.S.
Company System Containing USF	:	§§991.1401, 991.1402, and
Insurance Company	:	991.1403
	:	
	:	
	:	
	:	ID-RC-02-02

DECISION AND ORDER

AND NOW, on this 15th day of January 2002, Stephen J. Johnson, 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 Parties

1. USF Insurance Company (“USF”) is a stock fire insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Livingston, New Jersey.

2. AJK Holdings, Inc. (“AJK Holdings”) is a business corporation organized under the laws of the state of Michigan with its principal place of business located in Farmington Hills, Michigan. AJK Holdings controls 100% of the issued and outstanding voting stock of USF.
3. AJK Merger LLC (“AJK Merger”) is a limited liability company organized under the laws of the state of Michigan with its principal place of business located in Farmington Hills, Michigan.
4. Alan Jay Kaufman (“Mr. Kaufman”) is an individual with his principal place of business located in Farmington Hills, Michigan. Mr. Kaufman indirectly owns 100% of both AJK Holdings and AJK Merger.
5. Mr. Kaufman is the sole ultimate controlling person of USF.

Acquisition Filing

6. 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 changes in control of domestic insurers must be filed with the Department for approval or disapproval.
7. On December 27, 2001, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Mr. Kaufman for approval to effectuate a corporate restructuring, which would result in a change in the chain of control within the holding company system of USF.
8. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Standards of Review

9. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
 - a) 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.

Description of the Proposed Restructuring

10. As described in the Request, the plan involves the merger of AJK Holdings with and into AJK Merger. AJK Merger would be the surviving company and would directly hold 100% of issued and outstanding stock of USF.
11. As described in the Request, Mr. Kaufman would remain the sole ultimate controlling person of USF, after consummation of the proposed merger.
12. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing in influencing the control of domestic insurer as described within Section 1402 of the Insurance Holding Companies Act.
13. 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 voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The restructure of the holding company system proposed in the Request would not have the effect of changing in influencing the control of a domestic insurer as described within the section and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. 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.

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Alan J. Kaufman	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for	:	Law of 1921, Act of May 17, 1921,
the Restructure of the Holding	:	P.L. 682, <u>as amended</u> , 40 P.S.
Company System Containing USF	:	§§991.1401, 991.1402, and
Insurance Company	:	991.1403
	:	
	:	ID-RC-02-02

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 request for approval of the restructure of the holding company system containing USF Insurance Company in a transaction exempt from the requirements of 40 P.S. §991.1402(b), as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies