

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Martin G. Lane, Jr.	:	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,
Voting as Trustee for the Aegis	:	P.L. 682, <u>as amended</u> , 40 P.S.
Security, Inc. Money Purchase Pension	:	§§991.1401, 991.1402, and
Plan, the Aegis Security, Inc. Employee	:	991.1403
Stock Option Plan and the Aegis	:	
Security, Inc. Holdings Previously	:	
Owned by Theodora F. Robinson	:	Order No. ID-RC-02-08

DECISION AND ORDER

AND NOW, on this ___14th___ day of March 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

1. American Sentinel Insurance Company is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
2. Aegis Security Insurance Company is a domestic stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
3. Aegis Security, Inc. is an insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. Aegis Security, Inc. is the sole shareholder of Aegis

Security Insurance Company and American Sentinel Insurance Company.

4. The 254,366 shares (12.40%) of Aegis Security, Inc. voting common stock previously held by Theodora F. Robertson have been placed in an escrow account to be voted by proxy (“the Proxy Shares”).
5. The Aegis Security, Inc. Employee Stock Option Plan (“the ESOP”) is a plan whereby eligible participants invest in stock of Aegis Security, Inc. For any corporate matter involving a merger, liquidation or similar transaction, a participant or beneficiary in the ESOP is entitled to direct the ESOP as to the manner in which securities of Aegis Security, Inc. are to be voted and allocated. On all other matters, the stock shall be voted by the trustees.
6. The ESOP currently holds 269,150 (13.12%) shares of the issued and outstanding common stock of Aegis Security, Inc.
7. The Aegis Security, Inc. Money Purchase Pension Plan (“the MPPP”) is a plan whereby eligible participant invest in stock of Aegis Security, Inc. For any corporate matter involving a merger, liquidation or similar transaction, a participant or beneficiary in the MPPP is entitled to direct the MPPP as to the manner in which securities of Aegis Security, Inc. are to be voted and allocated. On all other matters, the stock shall be voted by the trustees.
8. MPPP currently holds 214,680 (10.46%) shares of the issued and outstanding common stock of Aegis Security, Inc.
9. Martin G. Lane, Jr. (“Mr. Lane”) is an individual that currently directly owns 794,498 shares (38.72%) of the issued and outstanding common stock of Aegis Security, Inc.
10. Mr. Lane has been appointed as one of two trustees for the ESOP and the MPPP (“the Plans”).
11. Mr. Lane has been appointed as proxy to represent and vote the Proxy Shares.
12. The Plans, from time to time, may acquire additional shares on behalf of the eligible participants. These shares may also be voted by the trustees of the plan, as indicated in Findings of Fact 5 and 7.
13. On February 27, 2002, the Pennsylvania Insurance Department (“Department”) received an initial request from Mr. Lane (which together with all material received subsequently is collectively referenced as “Request”), for approval to vote the Proxy Shares and for approval to vote up to 370,000 shares of common stock held by the ESOP and up to 320,000 shares of common stock held by the

MPPP.

14. 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 acquisitions of the rights to vote stock which will result in control of domestic insurers must be filed with the Department for approval or disapproval.
15. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
16. As provided in the Request, ultimate control of Aegis Security, Inc. will not change as a result of Mr. Lane voting the Proxy Shares and the shares held by the Plans.
17. 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 have the effect of changing or influencing the control of a domestic insurer.
18. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
19. 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 control 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 acquisition of control of stock proposed in the Request is not being contemplated to change or influence the ultimate control of Aegis Security, Inc., 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.

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Security, Inc. Holdings Previously	:	
Owned by Theodora F. Robinson	:	Order No. ID-RC-02-08

ORDER

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

An approving determination on the request of Martin G. Lane, Jr. (“Mr. Lane”) to vote shares of common stock held by the Aegis Security, Inc. Employee Stock Option Plan (“the ESOP”), the Aegis Security, Inc. Money Purchase Pension Plan (“MPPP”) and the Theodora F. Robertson Escrow, as set forth in the Request, is hereby granted subject to this Order and the following condition:

1. Mr. Lane shall not vote greater than 370,000 shares held by the ESOP, without the prior approval of the Insurance Department.
2. Mr. Lane shall not vote greater than 320,000 shares held by the MPPP, without the prior approval of the Insurance Department.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies