

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Medical Group Holdings,	:	Holding Companies Act, Article
Inc. Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Acquisition of Additional Voting Stock of	:	P.L. 682, as amended, 40 P.S.
the Pennsylvania Medical Society Liability	:	§§991.1401, 991.1402, and 991.1403
Insurance Company	:	
	:	
	:	ID-RC-02-13

DECISION AND ORDER

AND NOW, on this \_\_\_26th\_\_\_ day of April, 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. Pennsylvania Medical Society Liability Insurance Company (“PMSLIC”) 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. Pennsylvania Medical Society (“Society”) is a stock company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. Society owns 17.4% of the issued and outstanding common stock of PMSLIC.

3. Medical Group Holdings, Inc. (“Medical Group”) is a stock company organized under the laws of the state of Delaware with its principal place of business in Hunt Valley, Maryland. Medical Group owns 82.6% of the issued and outstanding common stock of PMSLIC.
4. NORCAL Mutual Insurance Company (“NORCAL”) is a mutual insurance company organized pursuant to the laws of the State of California with its principal place of business in San Francisco, California. NORCAL owns 100% of the issued and outstanding voting stock of Medical Group.
5. Society and NORCAL are the sole ultimate controlling persons of PMSLIC.
6. On April 19, 2002, 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 Medical Group for approval to acquire all of the shares of voting stock of PMSLIC currently held by Society.
7. As described in the Request Medical Group would control 100% of the issued and outstanding voting stock of PMSLIC should the contemplated transaction be consummated.
8. 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 Commissioner for approval or disapproval.
9. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
10. As provided in the Request, NORCAL will remain an ultimate controlling person of PMSLIC.
11. 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.
12. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the ultimate control of a domestic insurer.
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 acquisition proposed in the Request is not being contemplated to change or influence the ultimate control of PMSLIC, 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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	:	
	:	ID-RC-02-13

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 acquisition of addition shares of voting stock of Pennsylvania Medical Society Liability Insurance Company by Medical Group Holdings, Inc., 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.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Regulation of Companies