

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 205 and 207
	:	of the GAA Amendments Act of
Application of Insurance Company of	:	1990, Act of December 19, 1990,
North America in Support of the Request	:	P.L. 834, No. 198, <u>as amended</u> , 15
for Approval to Recapitalize	:	P.S. §§21205 and 21207.
	:	
	:	Order No.: ID-RC-03-20

DECISION AND ORDER

AND NOW, on this ___21st___ day of April, 2003, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the 1988 Business Corporation Law and the GAA Amendments Act of 1990, 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. Insurance Company of North America (“INA”) is a domestic stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania, and has its principal place of business at Philadelphia, Pennsylvania.

Filing of the Application

2. On April 2, 2003, the Insurance Department of the Commonwealth of Pennsylvania (hereinafter referenced as “Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from INA requesting approval of the Amendment.
3. The Application was filed pursuant to and in accordance with Title 15, Pa. C.S., Section 1 et seq., as amended, including the GAA Amendments Act of 1992 which is collectively known as the Business Corporation Law (hereinafter referenced as the “BCL”).

Department Procedures

4. On April 12, 2003, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by INA and such notice invited interested persons to submit comments to the Department regarding the Application for a seven day period, ending April 19, 2003.
5. The Department received no comments regarding the Application during the seven day comment period.

Description of the Proposed Transaction

6. On April 15, 2003, the Board of Directors and the sole shareholder of the INA approved an amendment to the Articles of Incorporation (herein afterwards referenced as the "Amendment") that would reduce the par value of the common stock of INA.
7. As described in the Application, INA's Articles of Incorporation currently authorize 15,000,000 shares of common stock, with a par value of five dollars.
8. As described in the Application, INA has 11,357,109 shares of issued and outstanding common stock for a total paid-in capital of \$56,785,545.
9. As described in the Application, the Amendment would reduce the par value of common stock from five dollars to one dollar per share.
10. The reduction in the amount of capital stock would be immediately recorded as paid-in surplus on the books of account of the INA.
11. As described in the Application, the number of issued and outstanding common stock would remain the same after implementation of the Amendment.
12. As described in the Application, upon implementation of the Amendment the stated capital of INA would be reduced from \$56,785,545 to \$11,357,109.
13. As described in the Application, upon implementation of the Amendment the contributed surplus of INA would be increased from \$204,740,455 to \$250,168,891.
14. As described in the Application, no cash would be removed from INA as a result of the recapitalization.

Standards for Review

15. In accordance with Section 21204(a) of the BCL, any amendment to the Articles of Incorporation of a domestic insurer that may be effected only by action or with the approval of the shareholders shall become effective only if approved by the

Department.

16. In accordance with Section 21204(c) of the BCL, the capital stock of an insurance corporation may not be reduced below the minimum amount of capital stock required by law for the formation of the corporation.
17. In accordance with Section 21205(b) of the BCL, a reduction in capital stock shall be approved if it is in accordance with law and consistent with the interests of the policyholders and creditors.
18. The classes of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
19. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
20. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), INA is required to maintain a minimum paid up capital stock of \$2,350,000 to write the classes of insurance for which it is presently licensed.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), INA is required to maintain a minimum paid in surplus of \$1,175,000 to write the classes of insurance for which it is presently licensed.
22. Upon completion of the transaction, INA will have paid up capital in an amount that will satisfy the statutory minimum required of a stock casualty insurance company licensed to write the classes of authority currently held by INA.
23. Upon completion of the transaction, INA will have paid in surplus in an amount that will satisfy the statutory minimum required of a stock casualty insurance company licensed to write the classes of authority currently held by INA.
24. 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. In accordance with Section 21205(g) of the BCL, the Application is consistent with the definition of a recapitalization.
2. The Application was properly filed pursuant to and in accordance with the BCL.
3. The Department has jurisdiction over the parties and subject matter of this proceeding.
4. In accordance with Section 21204(c) of the BCL, the Deputy Commissioner, based on the Application, has concluded that the recapitalization will not reduce the capital stock of INA below the minimum amount of capital stock required by law for the formation of the corporation.
5. In accordance with Section 21205(b) of the BCL, the Deputy Commissioner, based on the Application, has concluded that the recapitalization is in accordance with law and is not injurious to the interests of the policyholders and creditors of INA.
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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ORDER

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

An approving determination for the recapitalization of Insurance Company of North America, as set forth in the Application, is hereby granted, subject to this order.

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

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation