

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and  
: 1403 of the Insurance Holding  
Application of National Interstate : Companies Act, Article XIV of the  
Insurance Company in Support of the : Insurance Company Law of 1921,  
Request for Approval to Acquire : Act of May 17, 1921, P.L. 682,  
Control of Triumphe Casualty : as amended, 40 P.S. §§991.1401,  
Company : 991.1402, and 991.1403  
: :  
: Order No. ID-RC-05-27

DECISION AND ORDER

AND NOW, on this \_\_19th\_\_ day of December, 2005, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

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

FINDINGS OF FACT

Identity of Parties

1. Triumphe Casualty Company (“Triumphe”) is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Greensboro, North Carolina.

2. National Interstate Insurance Company (“National Interstate”) is an admitted stock casualty insurance company organized under the laws of the state of Ohio with its principal place of business located in Richfield, Ohio
3. National Interstate Corporation is a publicly traded insurance holding company organized under the laws of the state of Ohio with its principal place of business located in Richfield, Ohio. National Interstate Corporation directly holds 100% of the issued and outstanding capital stock of National Interstate.
4. American Financial Group, Inc. (“American Financial”) is a publicly traded corporation organized under the laws of the state of Ohio with its principal place of business located in Cincinnati, Ohio. American Financial indirectly controls 58% of the issued and outstanding capital stock of National Interstate Corporation.
5. An individual that holds greater than 10% of the issued and outstanding capital stock of National Interstate Corporation has properly filed a disclaimer of control over National Interstate Corporation.
6. All individuals that hold 10% or greater of the issued and outstanding capital stock of American Financial have properly filed disclaimers of control over National Interstate Corporation.
7. American Financial is the sole ultimate controlling person of National Interstate.

#### Acquisition Filing

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving the control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
9. On October 7, 2005, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from National Interstate for approval to acquire control of Triumpher.

10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### Department Procedures

11. On October 29, 2005, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by National Interstate and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty (30) day period, ending November 28, 2005.
12. The Department received no comments regarding the Application during the thirty (30) day comment period.

#### Description of the Proposed Acquisition

13. As described in the Application, on September 30, 2005, National Interstate signed a Stock Purchase Agreement (which together with subsequent amendments is referenced herein as the "Agreement") whereby United National would acquire 100% of the issued and outstanding capital stock of Triumphe (the "Acquisition").
14. As described in the Application, National Interstate would fund the Acquisition from its existing corporate resources.
15. As described in the Application and pursuant to the Agreement, the consideration for the Acquisition would be equal to the statutory surplus of Triumphe as of September 30, 2005, subject to certain adjustments.
16. As described in the Application, Triumphe will not be required to issue extraordinary dividends to support the payment of interest or dividends resulting from the Acquisition.

#### Standards for Review

17. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
18. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

### Licensing Requirements

19. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
20. 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).
21. 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).
22. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Triumphé is required to maintain a minimum paid up capital stock of \$1,350,000 to write the classes of insurance for which it is presently licensed.
23. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Triumphé is required to maintain a minimum paid in surplus of \$675,000 to write the classes of insurance for which it is presently licensed.
24. Upon completion of the transaction, Triumphé would have paid up capital in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by Triumphé.
25. Upon completion of the transaction, Triumphé would have paid in surplus in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by Triumphé.

### Competitive Impact

26. The acquisition of control of Triumphé is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
27. The acquisition of control of Triumphé will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of

National Interstate, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of National Interstate

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring persons.

29. National Interstate reports that as of December 31, 2004, the SAP account balances of National Interstate would be:

Assets:	\$ 297,898,152
Liabilities:	\$ 205,774,025
Shareholder's Equity:	\$ 92,124,127

30. The financial condition of National Interstate would not pose any impediments to the change in control nor jeopardize the financial condition of Triumphhe.

Plans for the Acquired Insurer

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.

32. As provided in the Application, National Interstate has disclosed that it intends to make no significant changes to the business plans of Triumphhe.

Management

33. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurers.

34. Biographical affidavits for all directors and executive officers of National Interstate were provided as part of the Application and the Department reviewed all affidavits that were submitted.

35. The Department is satisfied that the persons who would control the operations of Triumphe have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
36. 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 Commissioner has jurisdiction to review and approve the change in control of Triumphe.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless the Department has found that:
  - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is presently licensed;
  - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
  - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
  - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;

- f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
  - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Triumphhe.
  4. Based upon the Application, The Commissioner has determined that upon closing of the Acquisition the sole ultimate controlling person of Triumphhe would be American Financial.
  5. 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 Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The application of National Interstate Insurance Company in support of the request for approval to acquire control of Triumphe Casualty Company is hereby approved, subject to this Order and the following condition:

National Interstate shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction. Such documents shall be available for Department review for a period of not less than five years from the date of the closing of this acquisition.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

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M. DIANE KOKEN  
Insurance Commissioner  
Commonwealth of Pennsylvania