

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Anthony Joseph Bonomo in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921,
Acquire Control of Pennsylvania : Act of May 17, 1921, P.L. 682,
Physicians Reciprocal Insurers : as amended, 40 P.S. §§991.1401,
: 991.1402, and 991.1403
: :
: :
: Order No. ID-RC-06-43

DECISION AND ORDER

AND NOW, on this 19th day of December, 2006, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Involved Persons

Acquiring Persons

1. Administrators for the Professions, Inc. (“AFP”) is a business corporation organized pursuant to the laws of the State of New York with its principal place of business located in Manhasset, New York.
2. AJB Ventures, Inc. (“AJBV”) is a corporation organized pursuant to the laws of the State of New York, with its principal place of business located in Manhasset, New York. AFP is a direct wholly-owned subsidiary of AJBV.

3. Anthony Joseph Bonomo (“Bonomo”) is an individual whose principal place of business is located in Manhasset, New York. Bonomo owns 100% of the voting securities of AJBV.

Domestic Insurer

4. Pennsylvania Physicians Reciprocal Insurers (“PaPRI”) is an insurance reciprocal exchange organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Manhasset, New York.
5. Physicians Reciprocal Managers, Inc. (“PRM-AIF”) is a business corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Manhasset, New York. PRM-AIF is the attorney-in-fact of PaPRI.
6. FPIC Insurance Group, Inc. (“FPIC”) is a business corporation organized pursuant to the laws of the State of Florida with its principal place of business located in Jacksonville, Florida. PRM-AIF is a direct wholly-owned subsidiary of FPIC
7. FPIC is the sole ultimate controlling person of PaPRI.

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 all changes in control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
9. On October 10, 2006, the Pennsylvania Insurance Department (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Bonomo for approval to acquire control of PaPRI.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On October 21, 2006, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Bonomo and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty-day period, ending November 20, 2006.

12. The Department received no comments regarding the Application during the thirty-day period.

Description of the Proposed Acquisition

13. As described in the Application, on September 29, 2006, AJBV, Bonomo, and FPIC executed a Securities Purchase Agreement under which Bonomo would acquire control of PaPRI.
14. As described in the Application, AFP would directly acquire all the issued and outstanding voting shares of PRM-AIF from FPIC. Cash consideration would be paid for PRM-AIF shares.
15. As described in the Application, PRM-AIF would become an indirect subsidiary of AJBV, which in turn is directly controlled by Bonomo.
16. As described in the Application, Bonomo would become the sole ultimate controlling person of PaPRI following the acquisition.

Standards for Review

17. Section 1402(f)(1) of the Insurance Holding Companies Act (40 P.S. §991.1402(f)(1)) 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 (40 P.S. §991.1402), the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
20. The line or lines 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 of 1921, May 17, P.L. 682 as amended (“Insurance Company Law”) (40 P.S. §382).
21. Section 206 of the Insurance Company Law (40 P.S. §386) sets out the minimum amount of paid up capital stock and paid in surplus required of a stock insurance company for each class of insurance for which it is incorporated.

22. Section 1004 of the Insurance Company Law (40 P.S. §964) sets out the minimum surplus required of an insurance reciprocal exchange to be equal to the capital and surplus required of a stock insurance company transacting the same kind or kinds business.
23. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386) and Section 1004 of the Insurance Company Law (40 P.S. §964), PaPRI is required to maintain paid in surplus of \$1,125,000 to maintain licensure.
24. Upon completion of the transaction, PaPRI would have paid in surplus in an amount that would satisfy the statutory minimum required of an insurance reciprocal exchange licensed to write in Pennsylvania.

Competitive Impact

25. The acquisition of control of PaPRI 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.
26. The acquisition of control of PaPRI would not lessen competition or tend to create a monopoly in the Commonwealth.

Financial Condition of Bonomo

27. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the financial condition of the acquiring person(s).
28. The Department has reviewed the Federal income tax returns submitted by Bonomo for 2004, 2003, 2002, 2001, and 2000.
29. The financial condition of Bonomo would not pose any impediments to the change in control nor jeopardize the financial condition of PaPRI.

Plans for the Acquired Insurer

30. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the plans or proposals that the acquiring party has for the domestic insurer.
31. As provided in the Application, Bonomo does not have any plans to liquidate PaPRI, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure

or management that would be unfair and unreasonable to the policyholders of PaPRI and not in the public interest.

Management

32. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the competence, experience, and integrity of the persons who would control the operations of the acquired insurer.
33. Biographical affidavits for all directors and executive officers of AJBV were provided as part of the Application and the Department reviewed all affidavits that were submitted.
34. The Department is satisfied that the persons who would control the operations of PaPRI have such competence, experience, and integrity that the interests of policyholders and the public would not be jeopardized.
35. 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 (40 P.S. §991.1402), the Commissioner has jurisdiction to review and approve the change in control of PaPRI.

2. Under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), 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 insurer 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 (40 P.S. §991.1402), the Commissioner has not found that any of the above conditions are present with respect to the change in control of PaPRI.

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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ORDER

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

The acquisition of control by Anthony Joseph Bonomo (“Bonomo”) of Pennsylvania Physicians Reciprocal Insurers is hereby approved, subject to this Order and the following condition:

Bonomo shall make copies of the closing documents available to the Insurance Department within five (5) days after consummation of the subject transaction.

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

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania