

BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Venbrook Insurance : Companies Act, Article XIV of the
Holdings, LLC in Support of the Request : Insurance Company Law of 1921, Act
for Approval to Acquire Control of : of May 17, 1921, P. L. 682, as
Northwestern Mutual Fire Insurance : amended, 40 P.S. §§991.1401,
Company of Schuylkill County, : 991.1402 and 991.1403; Chapter
Pennsylvania : 25 of Title 31 of the Pennsylvania
: Code, 31 Pa. Code §§25.1- 25.23.
:
: Order No. ID-RC-06-50

DECISION AND ORDER

AND NOW, on this 28th 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 Parties

1. Northwestern Mutual Fire Insurance Company of Schuylkill County, Pennsylvania (“Northwestern”) is a domestic mutual fire insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Valley View, Pennsylvania.
2. Venbrook Insurance Holdings, LLC (“Venbrook”) is a limited liability corporation incorporated under the laws of the State of Delaware with its principal place of business in Woodland Hills, California.
3. Venbrook Group, LLC (“Venbrook Group”) is a limited liability corporation incorporated under the laws of the State of Delaware with its principal place of business

in Woodland Hills, California. Venbrook is a subsidiary of Venbrook Group.

4. Jason D. Turner (“Turner”) is an individual with his principal place of business in Woodland Hills, California. Turner owns 36.43% of the voting securities of Venbrook Group.
5. William Lopatin (“Lopatin”) is an individual with his principal place of business in Beverly Hills, California. Lopatin owns 33.33% of the voting securities of Venbrook Group.
6. Marc J. Bishara (“Bishara”) is an individual with his principal place of business in Woodland Hills, California. Bashara owns 30.24% of the voting securities of Venbrook Group.

Acquisition Filing

7. Pursuant to The Insurance Company Mutual-to-Stock Conversion Act, 40 P.S. §§911-A et seq., as amended (the “Conversion Act”), Northwestern has made separate application with the Commissioner for approval to convert to a stock insurance corporation and thereby changing its name to “Northwestern Insurance Company.”
8. Pursuant to a Stock Purchase Agreement (“Agreement”), Venbrook agreed to purchase 1,000,000 shares to comprise 100% of the issued and outstanding common stock of converted Northwestern.
9. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, 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.
10. On December 4, 2006, the Pennsylvania Insurance Department (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from Venbrook for approval to acquire all of the issued and outstanding common stock of converted Northwestern in exchange for a purchase price of \$3,000,000.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

12. As described in the Application, Venbrook will acquire all of the issued and outstanding common stock of converted Northwestern in exchange for cash.
13. The instant Application requests approval for the change in control of converted Northwestern.

Standards for Review

14. 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.
15. 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

16. 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.
17. The 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 (40 P.S. §382).
18. Northwestern is currently licensed to write the lines of insurance as defined in Section 202 (b)(1) & (2), (c) (3), (4), (6), (9), & (10).
19. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line 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), converted Northwestern is required to maintain a minimum paid up capital stock of \$950,000 to write the lines of insurance for which it is presently licensed.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), converted Northwestern is required to maintain a minimum paid in surplus of \$475,000 to write the lines of insurance for which it is presently licensed.
22. Upon completion of the transaction, converted Northwestern will have paid up capital in an amount that will satisfy the statutory minimum required of a

property or casualty insurance company licensed to write the lines of authority currently held by Northwestern.

23. Upon completion of the transaction, converted Northwestern will have paid in surplus in an amount that will satisfy the statutory minimum required of a property or casualty insurance company licensed to write the lines of authority currently held by Northwestern.

Competitive Impact

24. The acquisition of control of converted Northwestern 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.
25. The acquisition of control of converted Northwestern will not lessen competition or tend to create a monopoly in the Commonwealth because neither Turner, Lopatin, Bishara nor any company controlled by them, including Venbrook, is engaged in the business of insurance in the Commonwealth.
26. Since there will be no increase in market share as a result of the acquisition, the Competitive Standard of Section 1403 of the Insurance Holding Companies Act is not applicable.

Financial Condition of Applicants

27. 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 person(s).
28. The Department has reviewed the financial statement submitted by Venbrook as of November 30, 2006.
29. The Department has reviewed the financial statements submitted by Turner, Lopatin and Bashara as of December 31, 2005.
30. The financial condition of Venbrook, Turner, Lopatin and Bashara would not pose any impediments to the change in control nor jeopardize the financial condition of converted Northwestern.

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, Venbrook has no future plans or proposals to liquidate converted Northwestern, to sell its assets to or merge it with any person or persons.

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 the proposed new directors and executive officers of converted Northwestern 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 converted Northwestern 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 Department has jurisdiction to review and approve the change in control of converted Northwestern.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department 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 they are 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 converted Northwestern.
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 (“Commissioner”) hereby makes the following Order:

The acquisition of control by Venbrook Insurance Holdings, LLC (“Venbrook”) of converted Northwestern Mutual Fire Insurance Company of Schuylkill County, Pennsylvania (“Northwestern”) as set forth in the Application, is hereby approved, subject to this Order and the following condition:

Venbrook shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation.

M. DIANE KOKEN
Insurance Commissioner