

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and  
: 1403 of the Insurance Holding  
Application of GUARD Financial : Companies Act, Article XIV of the  
Group, Inc. Requesting Exemption from : Insurance Company Law of 1921, Act of  
the Requirements of 40 P.S. §991.1402 : May 17, 1921, P.L. 682, as amended, 40  
for the Restructuring of the Holding : P.S. §§991.1401, 991.1402, and  
Company System that includes : 991.1403  
AmGUARD Insurance Company, :  
NorGUARD Insurance Company, :  
EastGUARD Insurance Company and :  
WestGUARD Insurance Company : Order No. ID-RC-07-06

DECISION AND ORDER

AND NOW, on this 16th day of February, 2007, 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

Identity of Parties

1. WestGUARD Insurance Company (“WestGUARD”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania.
2. AmGUARD Insurance Company (“AmGUARD”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania.
3. NorGUARD Insurance Company (“NorGUARD”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania.

4. EastGUARD Insurance Company (“EastGUARD”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania.
5. AmGUARD, NorGUARD and EastGUARD collectively own 100% of the outstanding stock of WestGUARD.
6. AmGUARD, NorGUARD, EastGUARD and WestGUARD are collectively hereinafter referenced as “PA Domestic Insurers.”
7. GUARD Insurance Group, Inc. (“GIG”) is an insurance holding company organized under the laws of Commonwealth of Pennsylvania with its principal place of business in Wilkes-Barre, Pennsylvania. AmGUARD, NorGUARD and EastGUARD are direct wholly-owned subsidiaries of GIG.
8. GUARD Financial Group, Inc. (“GUARD Financial”) is a holding company organized under the laws of Delaware with its principal place of business in Wilkes-Barre, Pennsylvania. GIG is a direct wholly-owned subsidiary of GUARD Financial.
9. Susan W. Shoval (“Shoval”) is an individual whose principal place of business is located in Wilkes-Barre, Pennsylvania. Shoval controls 55.52% of the voting securities of GUARD Financial.
10. Shoval is the sole ultimate controlling person of the PA Domestic Insurers.

#### Filing of the Request

11. On February 9, 2007, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from GUARD Financial for approval to effectuate a corporate restructuring of the holding company system that includes the PA Domestic Insurers which will result in a change in the immediate parent of AmGUARD, NorGUARD and EastGUARD, although the ultimate controlling persons will not change.
12. 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 a domestic insurer must be filed with the Department for approval or disapproval.
13. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
14. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:

- a) does not have the effect of changing or influencing the control of a domestic insurer, or
- b) is otherwise not comprehended within the purposes of the section.

The Transaction

- 15. As described in the Request, GIG will merge with and into GUARD Financial.
- 16. As described in the Request, all of the outstanding shares of capital stock of GIG will be extinguished.
- 17. As described in the Request, AmGUARD, NorGUARD and EastGUARD will become direct wholly-owned subsidiaries of GUARD Financial.
- 18. As described in the Request, Shoal would remain the only ultimate controlling persons of the PA Domestic Insurers following the transaction.
- 19. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
- 20. 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 controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
- 2. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
- 3. The restructuring of the holding company system proposed in the Request is not being contemplated to change or influence the ultimate control of the PA Domestic Insurers, 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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	:	1403 of the Insurance Holding
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for the Restructuring of the Holding	:	P.S. §§991.1401, 991.1402, and
Company System that includes	:	991.1403
AmGUARD Insurance Company,	:	
NorGUARD Insurance Company,	:	
EastGUARD Insurance Company and	:	
WestGUARD Insurance Company	:	Order No. ID-RC-07-06

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 exemption from the requirements of 40 P.S. §991.1402(b) for the restructuring of the holding company system containing AmGUARD Insurance Company, NorGUARD Insurance Company, EastGUARD Insurance Company and WestGUARD Insurance Company, as set forth in the Request, is hereby granted.

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  
Office of Corporate and Financial Regulation