

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 Lackawanna Casualty	:	Companies Act, Article XIV of the
Company and Pagnotti Enterprises, Inc.	:	Insurance Company Law of 1921, Act of
Requesting Exemption from the	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
Requirements of 40 P.S. §991.1402 for	:	P.S. §§991.1401, 991.1402, and
the Restructuring of the Holding	:	991.1403
Company System that includes	:	
Lackawanna Casualty Company,	:	
Lackawanna National Insurance	:	
Company and Lackawanna American	:	
Insurance Company	:	Order No. ID-RC-07-26

DECISION AND ORDER

AND NOW, on this 27th day of August, 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. Lackawanna National Insurance Company (“LNIC”) 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. Lackawanna American Insurance Company (“LAIC”) 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. Lackawanna Casualty Company (“LCC”) 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. LCC owns 100%

of the issued and outstanding Class A Stock of LNIC and LAIC which represents 95.89% of the voting securities of LNIC and LAIC.

4. LCC, LNIC and LAIC are hereinafter collectively referenced as “PA Domestic Insurers.
5. Pagnotti Enterprises, Inc. (“PEI”) is a for-profit corporation organized under the laws of the State of Delaware with its principal place of business in Wilkes-Barre, Pennsylvania. PEI owns 100% of the issued and outstanding Class A Stock of LCC representing 95.89% of the voting securities of LCC
6. The Ithaca Company (“Ithaca”) is a for-profit corporation organized under the laws of the State of Delaware with its principal place of business in Wilmington, Delaware. Ithaca owns 21.67% of the issued and outstanding Class A Stock of PEI representing 17.34% of the voting securities of PEI
7. Tedesco Corporation (“Tedesco”) is a for-profit corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Old Forge, Pennsylvania. Tedesco owns 21.67% of the issued and outstanding Class A Stock of PEI representing 17.34% of the voting securities of PEI
8. Louis Pagnotti, Inc. is a for-profit corporation organized under the laws of State of Delaware with its principal place of business in Wilmington, Delaware. Louis Pagnotti, Inc. owns 56.66% of the issued and outstanding Class A Stock of PEI representing 45.33% of the voting securities of PEI
9. Brynfan Associates (“Brynfan”) is a general partnership organized under the laws of the State of Florida with its principal place of business in Naples, Florida. Brynfan owns 100% of the issued and outstanding Class C Stock of PEI representing 20% of the voting securities of PEI.
10. Ithaca, Tedesco and Brynfan along with the only 10% or greater shareholder of Louis Pagnotti, Inc. have properly filed disclaimers of control.
11. Louis Pagnotti, Inc. is the sole ultimate controlling person of the PA Domestic Insurers.

Filing of the Request

12. On August 9, 2007, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from LCC and PEI for approval to effectuate a restructuring of the holding company system that includes the PA Domestic Insurers.
13. 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.

14. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
15. 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

16. As described in the Request, PEI proposes to distribute the Class A Stock of LCC currently held by PEI to PEI's Class A stockholders.
17. As described in the Request, as a result of the distribution, issued and outstanding voting securities of LCC will be owned as follows:
 - a) Louis Pagnotti, Inc. - 54.33%
 - b) Ithaka - 20.78%
 - c) Tedesco - 20.78%
 - d) Brynfan - 4.11%
18. Ithaka and Tedesco have properly filed disclaimers of control for the acquisition of direct ownership of the Class A Stock of LCC as a result of the distribution referenced above.
19. As described in the Request, Louis Pagnotti, Inc. will be the ultimate controlling person of the PA Domestic Insurers following the transaction.
20. 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.
21. 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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Lackawanna National Insurance	:	
Company and Lackawanna American	:	
Insurance Company	:	Order No. ID-RC-07-26

ORDER

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

Application of Lackawanna Casualty Company and Pagnotti Enterprises, Inc. Requesting Exemption from the Requirements of 40 P.S. §991.1402 for the Restructuring of the Holding Company System that includes Lackawanna Casualty Company, Lackawanna National Insurance Company and Lackawanna American Insurance Company.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

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