

BEFORE THE ACTING INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of Homestead Risk : Companies Act, Article XIV of the  
Management Corporation in Support of : Insurance Company Law of 1921, Act  
the Request for Approval to Acquire : of May 17, 1921, P. L. 682, as  
Control of Homestead Insurance : amended, 40 P.S. §§991.1401,  
Company : 991.1402 and 991.1403; Chapter  
: 25 of Title 31 of the Pennsylvania  
: Code, 31 Pa. Code §§25.1-.23.  
:  
: Order No. ID-RC-07-42

**DECISION AND ORDER**

AND NOW, on this 24th day of December, 2007, Joel Ario, Acting 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**

Domestic Insurer

1. Homestead Insurance Company (“Homestead”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Avon, Connecticut.
2. Dearborn Risk Management, Inc. (“Dearborn”) is an insurance holding company organized pursuant to the laws of the State of Delaware with its principal place of business located in Avon, Connecticut. Homestead is a wholly-owned subsidiary of

Dearborn.

#### Acquiring Persons

3. Homestead Risk Management Corporation (“HRMC”) is a newly-formed business corporation organized pursuant to the laws of Delaware with its principal place of business located in Avon, Connecticut.
4. Roger Keith Long (“Long”) is an individual with his principal place of business located in West Palm Beach, Florida. Long owns 45.714% of the issued and outstanding common stock of HRMC.
5. Lonnie Lee Steffen (“Steffen”) is an individual with his principal place of business located in Avon, Connecticut. Steffen owns 45.714% of the issued and outstanding common stock of HRMC.
6. Long and Steffen are the ultimate controlling persons of HRMC.

#### **Acquisition Filing**

7. 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.
8. On November 9, 2007, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from HRMC for approval to acquire control of Homestead.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### **Department Procedures**

10. On November 10, 2007, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by HRMC and such notice invited interested persons to submit comments to the Department regarding the Application for 30 days following the date of the publication (“Comment Period”).

11. During the Comment Period, the Department received no comments regarding the Application.

### **Description of the Proposed Acquisition**

12. On November 21, 2007, Dearborn, HRMC and Steffen signed a Stock Purchase Agreement (“Agreement”) whereby HRMC would acquire all of the issued and outstanding capital stock of Homestead.
13. As described in the Application and pursuant to the Agreement, HRMC would pay Dearborn \$1.4 million in cash, subject to certain adjustments.
14. As described in the Application, because Long and Steffen are ultimate controlling persons of HRMC, Long and Steffen would become ultimate controlling persons of Homestead as a result of the acquisition.

### **Standards for Review**

15. 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.

#### 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. 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).
19. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Homestead is required to maintain a minimum paid up capital stock of \$1,600,000 and a minimum paid in surplus of \$800,000 to write the lines of insurance for which it is presently licensed.
20. As of September 30, 2007, Homestead maintained the statutory minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines

of insurance for which it is presently licensed.

21. Upon completion of the transaction, Homestead would have the statutory minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.

#### Competitive Impact

22. The acquisition of control of the Homestead 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.
23. The acquisition of control of Homestead would not lessen competition or tend to create a monopoly in the Commonwealth because Homestead has no market share in the Commonwealth of Pennsylvania.
24. Since there would 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 Applicant

25. 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).
26. The Department has reviewed the financial statement submitted by HRMC as of December 17, 2007.
27. The Department has reviewed the financial statement submitted by Long and Steffen as of November 30, 2007.
28. The financial condition of HRMC, Long and Steffen would not pose any impediments to the change in control nor jeopardize the financial condition of Homestead.

#### Plans for the Acquired Insurer

29. 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.
30. As provided in the Application, HRMC has no future plans or proposals to liquidate Homestead, to sell its assets to or merge it with any person or persons.
31. Homestead has not underwritten insurance since 1998
32. As provided in the Application, Homestead would present an underwriting plan to the Department when it is ready to begin underwriting.

#### 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 would control the operations of the acquired insurer.
34. Biographical affidavits for all directors and executive officers of HRMC in addition to those new intended directors and officers of Homestead were reviewed by the Department.
35. The Department is satisfied that the persons who would control the operations of Homestead 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 Homestead.
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; or,
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
  - 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 Homestead.
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 Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Homestead Risk Management Corporation in support of the request for approval to acquire control of Homestead Insurance Company as set forth in the Application, is hereby approved, subject to this Order and the following conditions:

1. Homestead shall not write any new business without the prior written approval of the Commissioner.
2. HRMC 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.

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JOEL ARIO  
Acting Insurance Commissioner  
Commonwealth of Pennsylvania