

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Tuscarora-Wayne Mutual	:	Holding Companies Act, Article
Insurance Company Requesting	:	XIV of the Insurance Company
Exemption from the Requirements of 40	:	Law of 1921, Act of May 17, 1921,
P.S. § 991.1402 for a Change in the Direct	:	P.L. 682, <u>as amended</u> , 40 P.S.
Control of Tuscarora Wayne Insurance	:	§§991.1401, 991.1402, and
Company and Keystone National	:	991.1403
Insurance Company	:	
	:	
	:	Order No. ID-RC-09-01

DECISION AND ORDER

AND NOW, on this 23rd day of March, 2009, 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 the Parties

1. Tuscarora Wayne Insurance Company (“TWIC”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wyalusing, Pennsylvania.

2. Keystone National Insurance Company (“KNIC” and together with TWIC “the Domestic Insurers”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wyalusing, Pennsylvania.
3. Tuscarora Wayne Group, Inc. (“Group”) is a stock insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wyalusing, Pennsylvania. Group currently directly holds 100% of the issued and outstanding capital stock of the Domestic Insurers.
4. Tuscarora-Wayne Mutual Insurance Company (“Tuscarora-Wayne”) is a mutual property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wyalusing, Pennsylvania. Tuscarora-Wayne directly holds 99.47% of the issued and outstanding capital stock of Group.
5. Tuscarora-Wayne is the sole ultimate controlling person of the Domestic Insurers.

Filing of the Application

6. On February 10, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Tuscarora-Wayne for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of the Domestic Insurers, although the ultimate controlling person will not change.
7. 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 domestic insurers must be filed with the Department for approval or disapproval.
8. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
9. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not have the effect of changing or influencing the control of a domestic insurer.

The Transaction

10. As described in the Request, Group would issue a stock dividend of its entire holdings in the Domestic Insurers to Tuscarora-Wayne.
11. As described in the Request, a result of the transaction would be that the Domestic Insurers would be directly held by Tuscarora-Wayne.
12. As described in the Request, Tuscarora-Wayne would remain the sole ultimate controlling person of the Domestic Insurers.
13. The Deputy Commissioner finds that the transactions described in the Request does not have the effect of changing or influencing the ultimate control of a domestic insurer.
14. 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 voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The acquisition of stock proposed in the Request is not being contemplated to change or influence the ultimate control of the 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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ORDER

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

An approving determination of the request for approval of the change in direct control of Tuscarora Wayne Insurance Company and Keystone National Insurance Company, as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and is valid for one year from the date of signature.

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