

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Eastern Insurance	:	Holding Companies Act, Article
Holdings, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40	:	Law of 1921, Act of May 17, 1921,
P.S. §991.1402 for the Restructuring of its	:	P.L. 682, <u>as amended</u> , 40 P.S.
Holding Company System, which includes	:	§§991.1401, 991.1402, and
Eastern Advantage Assurance Company,	:	991.1403
Eastern Alliance Insurance Company and	:	
Allied Eastern Indemnity Company	:	
	:	Order No. ID-RC-09-27

DECISION AND ORDER

AND NOW, on this 8th day of September, 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. Eastern Advantage Assurance Company (“Eastern Advantage”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Lancaster, Pennsylvania.
2. Eastern Alliance Insurance Company (“Eastern Alliance”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of

- Pennsylvania with its principal place of business in Lancaster, Pennsylvania.
3. Allied Eastern Indemnity Company (“Allied Eastern” and together with Eastern Advantage and Eastern Alliance the “Domestic Insurers”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Lancaster, Pennsylvania.
  4. Global Alliance Holdings Ltd. (“Global Alliance”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business to be located in Lancaster, Pennsylvania. Global Alliance directly holds 100% of the issued and outstanding capital stock of Domestic Insurers.
  5. Eastern Holding Company Ltd. (“Eastern Holding”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business to be located in Lancaster, Pennsylvania. Eastern Holding directly holds 100% of the issued and outstanding capital stock of Global Alliance.
  6. Eastern Insurance Holdings, Inc. (“Eastern Insurance”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business to be located in Lancaster, Pennsylvania. Eastern Insurance directly holds 100% of the issued and outstanding capital stock of Eastern Holding.
  7. No entity controls 10% or greater of the issued and outstanding capital stock of Eastern Insurance.
  8. Eastern Insurance is the sole ultimate controlling person of Domestic Insurers.

#### Filing of the Application

9. On August 21, 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 “Application”) from Eastern Insurance for approval to effectuate a plan of reorganization of the holding company system that includes Domestic Insurers.
10. 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 transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.

11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. 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

13. As described in the Application, Eastern Insurance proposes to merge Eastern Holding with and into Eastern Insurance, with Eastern Insurance the survivor of the merger.
14. As described in the Application, Eastern Insurance would directly hold 100% of the issued and outstanding capital stock of Global Alliance.
15. As described in the Application, Eastern Insurance would continue to be the sole ultimate controlling person of the Domestic Insurers.
16. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
17. 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 Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction 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.
5. 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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Holding Company System, which includes	:	§§991.1401, 991.1402, and
Eastern Advantage Assurance Company,	:	991.1403
Eastern Alliance Insurance Company and	:	
Allied Eastern Indemnity Company	:	
	:	Order No. ID-RC-09-27

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 application of Eastern Insurance Holdings, Inc. requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes Eastern Advantage Assurance Company, Eastern Alliance Insurance Company and Allied Eastern Indemnity Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner