

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 Tuscarora Wayne	:	Companies Act, Article XIV of the
Insurance Company Requesting	:	Insurance Company Law of 1921, Act of
Exemption from the Requirements	:	May 17, 1921, P. L. 682, <u>as amended</u> , 40
of 40 P.S. §991.1402 to Increase its	:	P.S. §§991.1401, 991.1402 and 991.1403
Percentage of Control of Keystone	:	
National Insurance Company	:	
	:	
	:	Order No. ID-RC-09-44

DECISION AND ORDER

AND NOW, on this 30th day of December, 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 Entities

1. Keystone National Insurance Company (“Keystone National”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Wyalusing, Pennsylvania.
2. Tuscarora Wayne Insurance Company (“Tuscarora Wayne”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wyalusing, Pennsylvania. Tuscarora Wayne currently directly holds 51% of the issued and outstanding capital stock of Keystone National.

3. Tuscarora Wayne Group, Inc. (“SHC”) is a stock insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Wyalusing, Pennsylvania. SHC directly holds 100% of the issued and outstanding capital stock of Tuscarora Wayne.
4. Tuscarora Wayne Mutual Group, Inc. (“MHC”) is a mutual insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Wyalusing, Pennsylvania. MHC directly holds 99.81% of the issued and outstanding capital stock of SHC.
5. MHC is an ultimate controlling person of Keystone National.

Filing of the Application

6. On December 23, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received a request (which together with all material received subsequently is hereinafter referenced as “Request”) from Tuscarora Wayne for approval to increase its direct control over Keystone National.
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. (cited as “Insurance Holding Companies Act”), provides that all transactions resulting in an entity holding control of a domestic insurer 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.

Description of the Proposed Request

9. As described in the Request, Tuscarora Wayne currently directly owns 51% of the issued and outstanding capital stock of Keystone National.
10. As described in the Request, Tuscarora Wayne would acquire all of the issued and outstanding capital stock of Keystone National that it does not currently own (the “Acquisition”).
11. As described in the Request, after the Acquisition Tuscarora Wayne would directly hold 100% of the issued and outstanding capital stock of Keystone National.
12. As described in the Request, after the Acquisition Tuscarora Wayne would sell 9.9% of the issued and outstanding capital stock of Keystone National to an unaffiliated party.

13. As described in the Request, after the Acquisition MHC would be the sole ultimate controlling person of Keystone National.
14. 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.
15. 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.
16. 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 increase in the percent of ownership of capital stock as presented in the Request is not being contemplated to change or influence the ultimate control of Keystone National, 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 for the percent of ownership of capital stock in Keystone National Insurance Company (“Keystone National”) by Tuscarora Wayne Insurance Company (“Tuscarora Wayne”), as set forth in the Request, is hereby granted, subject to this Order and the following condition:

1. Tuscarora Wayne shall not increase its percentage of ownership of Keystone National outstanding capital stock without obtaining the prior approval of the Insurance Department.

This order is effective immediately and valid for one year, provided there are no significant changes to the Request. This one year limitation does not apply to the condition prescribed by the Department in the Order.

Stephen J. Johnson
Deputy Insurance Commissioner
Regulation of Companies