

BEFORE THE ACTING INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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| In Re: | : | Pursuant to Sections 1401, 1402, and |
| | : | 1403 of the Insurance Holding |
| Application of Conifer Holdings, Inc. in | : | Companies Act, Article XIV of the |
| Support of the Request for Approval to | : | Insurance Company Law of 1921, |
| Acquire Control of Mid-Continent | : | Act of May 17, 1921, P.L. 682, |
| Insurance Company | : | <u>as amended</u> , 40 P.S. §§991.1401, |
| | : | 991.1402, and 991.1403 |
| | : | |
| | : | Order No. ID-RC-10-36 |

DECISION AND ORDER

AND NOW, on this 29th day of December, 2010, Robert L. Pratter, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company 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 Parties

1. Mid-Continent Insurance Company (“Mid-Continent”) is a stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Somerset, Pennsylvania.
2. Conifer Holdings, Inc. (“Conifer Holdings”) is a stock insurance holding company organized under the laws of the state of Michigan with its principal place of business located in Southfield, Michigan.
3. James G. Petcoff (“Mr. Petcoff”) is an individual with his principal place of business located in Southfield, Michigan. Mr. Petcoff directly holds 76.5% of the

- issued and outstanding capital stock of Conifer Holdings.
4. No other entity holds a controlling interest of Conifer Holdings.
 5. Mr. Petcoff is the sole ultimate controlling person of Conifer Holdings.

Acquisition Filing

6. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. § §991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving the control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
7. On December 8, 2010, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Conifer Holdings for approval to acquire control of Mid-Continent.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

9. On December 18, 2010, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Conifer Holdings and such notice invited interested persons to submit comments to the Department regarding the Application for a seven day period, ending December 26, 2010.
10. The Department received no comments regarding the Application during the seven day comment period.

Description of the Proposed Acquisition

11. As described in the Application, on December 7, 2010, the current owners of Mid-Continent and Conifer Holdings entered into a Stock Purchase Agreement (“Agreement”).
12. As described in the Application and pursuant to Agreement, Conifer Holdings would acquire 100% of the issued and outstanding capital stock of Mid-Continent.
13. As described in the Application, Conifer Holdings would fund the total purchase price and no part of the purchase price would become an obligation of Mid-Continent.

14. As described in the Application, Mid-Continent would not be required to issue extraordinary dividends for debt service as a result of the proposed acquisition.
15. Mr. Petcoff would become the sole ultimate controlling person of Mid-Continent upon consummation of the instant transaction.

Standards for Review

16. 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.
17. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

18. 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.
19. The classes 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).
20. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Mid-Continent is required to maintain a minimum paid up capital stock of \$2,000,000 to write the classes of insurance for which it is presently licensed.
22. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Mid-Continent is required to maintain a minimum paid in surplus of \$1,000,000 to write the classes of insurance for which it is presently licensed.
23. Upon completion of the transaction, Mid-Continent will have paid up capital in an amount that will satisfy the statutory minimum required of a property insurance company licensed to write the classes of authority currently held by Mid-Continent.
24. Upon completion of the transaction, Mid-Continent will have paid in surplus in an amount that will satisfy the statutory minimum required of a property insurance company licensed to write the classes of authority currently held by Mid-

Continent.

Competitive Impact

25. The acquisition of control of Mid-Continent 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.
26. The acquisition of control of Mid-Continent will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Conifer Holdings, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Holdings

27. 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 persons.
28. The Department has reviewed the financial statements of Mr. Petcoff and has found that the financial condition of Mr. Petcoff would not pose any impediments to the change in control nor jeopardize the financial condition of Mid-Continent.

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 stated in the Application, Conifer Holdings has no future plans or proposals to liquidate Mid-Continent, to sell its assets, to merge or consolidate it with any person or persons, or to make any other material change in its business operations or corporate structure.

Management

31. 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 will control the operations of the acquired insurers.
32. Biographical affidavits for all directors and executive officers of Conifer Holdings were provided as part of the Application and the Department reviewed all affidavits that were submitted.

33. The Department is satisfied that the persons who would control the operations of Mid-Continent have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
34. 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 Commissioner has jurisdiction to review and approve the change in control of Mid-Continent.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner 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 it is 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 insurer 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;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
 - 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 Mid-Continent.
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 No. ID-RC-10-36

ORDER

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

The application of Conifer Holdings, Inc. (“Conifer Holdings”) in support of the request for approval to acquire control of Mid-Continent Insurance Company is hereby approved, subject to this Order and the following condition:

1. Conifer Holdings shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction.
2. Conifer Holdings shall maintain a copy of the closing documents available for the Department’s review for a period of not less than five years.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application. This one year limitation does not apply to any conditions prescribed by the Department in the Order.

ROBERT L. PRATTER
Acting Insurance Commissioner
Commonwealth of Pennsylvania