

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and  
Application of Lew G. Kachulis : 1403 of the Insurance Holding  
Requesting Exemption from the : Companies Act, Article XIV of the  
Requirements of 40 P.S. §991.1402 to : Insurance Company Law of 1921, Act of  
Increase his Percentage of Control of : May 17, 1921, P.L. 682, as amended, 40  
Synergy Holdings, Inc., Parent of : P.S. §§991.1401, 991.1402, and  
Synergy Comp Insurance Company : 991.1403  
: Order No. ID-RC-14-12

DECISION AND ORDER

AND NOW, on this 19<sup>th</sup> day of August, 2014, 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 Parties

1. Synergy Comp Insurance Company (“Synergy”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Sharon, Pennsylvania.
2. Synergy Holdings, Inc. (“SHI”) is a domestic insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Sharon, Pennsylvania. SHI owns 100% of the voting securities of Synergy.

3. The Lew G. Kachulis 2011 Revocable Trust (“2011 Trust”) is a trust fund organized under the laws of the Commonwealth of Pennsylvania. 2011 Trust owns 28.87% of the voting securities of SHI.
4. Lew G. Kachulis (“Mr. Kachulis”) is an individual with his principal place of business located in Sharon, Pennsylvania. Mr. Kachulis is trustee for the 2011 Trust and, as such, controls 100% of the voting power of 2011 Trust.
5. Mr. Kachulis is the ultimate controlling person of Synergy.

#### Filing of the Application

6. On July 21, 2014, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Mr. Kachulis for approval to increase his indirect control over Synergy.
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 transactions affecting the 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.
9. 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

10. As described in the Request, Mr. Kachulis, as trustee for the 2011 Trust, would acquire an additional 110,000 shares of stock of SHI resulting in control of 30.48% of the issued and outstanding voting securities of SHI.
11. As described in the Request, Mr. Kachulis would remain the sole ultimate controlling person of Synergy following the transaction.
12. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing or influencing the control of a domestic insurer.

13. 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 a controlling interest 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 Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The increase in the percent of ownership of voting securities as presented in the Request is not being contemplated to change or influence the control of Synergy, 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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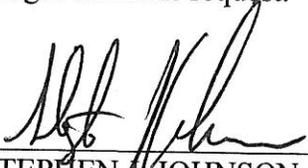
ORDER

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

An approving determination for the request of Lew G. Kachulis for exemption from the requirements of 40 P.S. §991.1402 to increase his percentage of control of Synergy Holdings, Inc., parent of Synergy Comp Insurance Company, as set forth in the request, is hereby granted.

This Order is effective immediately and valid for one (1) year from the date of signature, provided there are no significant changes from the request.



  
STEPHEN JOHNSON  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation