

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of DSN Holdings, Inc. in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921, Act
Acquire Control of Professional Casualty : of May 17, 1921, P. L. 682, as
Association : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-14-05

DECISION AND ORDER

AND NOW, on this 2 day of June, 2014, Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Professional Casualty Association (“PCA”) is a domestic reciprocal and inter-insurance exchange organized under the laws of Pennsylvania with its principal place of business in King of Prussia, Pennsylvania.
2. Professional Third Party, LP (“PTP”) is a domestic limited partnership organized under the laws of Pennsylvania with its principal place of business in King of Prussia, Pennsylvania. PTP is the attorney-in-fact of and thereby controls 100% of PCA.

3. Professional 3rd Party Administration, Inc. (“P3PA”) is a domestic business corporation organized under the laws of Pennsylvania with its principal place of business in King of Prussia, Pennsylvania. P3PA is the general partner of and controls 100% of the general partnership interest of PTP.
4. Barton L. Post (“Mr. Post”) is an individual with his primary business address located in King of Prussia, Pennsylvania. Mr. Post currently directly holds 50% of the issued and outstanding stock of P3PA and also currently directly holds 50% of the limited partnership interest in PTP.
5. Joseph F. Brady (“Mr. Brady”) is an individual with his primary business address located in King of Prussia, Pennsylvania. Mr. Brady currently directly holds 50% of the issued and outstanding stock of P3PA and also currently directly holds 50% of the limited partnership interest in PTP.
6. Mr. Post and Mr. Brady are each an ultimate controlling person of PCA.
7. PTPGP, LLC (“GP”) is a domestic limited liability company organized under the laws of Pennsylvania with its principal place of business in Silver Creek, Georgia.
8. DSN Holdings, Inc. (“DSN”) is a foreign insurance holding company organized under the laws of Delaware with its principal place of business in Silver Creek, Georgia. DSN controls 100% of the ownership interest of GP.
9. Joycian Limited (“Joycian”) is an alien business company organized under the laws of the British Virgin Islands. Joycian holds greater than 10% of the voting securities of DSN.
10. The 2012 Sara M. Carpenter Irrevocable Trust (“2012 Trust”) is a foreign trust fund organized under the laws of the state of Georgia. 2012 Trust holds greater than 10% of the voting securities of DSN.
11. The Diane P. Campbell 2013 Irrevocable Trust (“2013 Trust”) is a domestic trust fund organized under the laws of the Commonwealth of Pennsylvania. 2013 Trust holds greater than 10% of the voting securities of DSN.
12. Mark L. Rosen (“Rosen”) is an individual who holds greater than 10% of the voting securities of DSN. As a result of the transaction, Rosen’s ownership will be diminished to less than 10%.
13. Steven L. Lubell (“Lubell”) is an individual who holds greater than 10% of the voting securities of DSN. As a result of the transaction, Lubell’s ownership will be diminished to less than 10%.

14. An entity holding more than 10% of the voting securities of DSN has properly filed a disclaimer of control.
15. Alan A. Waring (“Mr. Waring”) is an individual with his primary residence located in Smiths, Bermuda. Mr. Waring controls 100% of the voting power of Joycian.
16. Wade A. Carpenter (“Mr. Carpenter”) is an individual with his primary residence located in Silver Creek, Georgia. Mr. Carpenter controls 100% of the voting power of 2012 Trust.
17. Diane P. Campbell (“Ms. Campbell”) is an individual with her primary residence located in Berwyn, Pennsylvania. Ms. Campbell controls 100% of the voting power of 2013 Trust.

Acquisition Filing

18. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, 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 Commissioner for approval or disapproval.
19. On February 10, 2014, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from DSN for approval to acquire control of PCA.
20. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

21. On February 22, 2014, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by DSN and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publication (“Comment Period”).
22. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

23. As described in the Application, DSN has entered into a partnership interest purchase agreement (“the Agreement”) with P3PA, Mr. Post and Mr. Brady.
24. As described in the Application and pursuant to the Agreement, DSN intends to (a) purchase 100% of the limited partnership interest in PTP from Mr. Post and Mr. Brady, and (b) have GP purchase 100% of the general partnership interest in PTP from P3PA (“the Acquisition”).
25. As described in the Application, DSN would fund the entire purchase price from a combination of senior debt financing and equity capital.
26. As described in the Application and subsequent to the Acquisition, DSN would directly control 100% of the limited partnership interest of PTP and would indirectly control 100% of the general partnership interest in PTP through GP. PTP would continue in existence as a limited partnership under Pennsylvania law and would continue to control PCA through their attorney-in-fact relationship.
27. Upon consummation of the Acquisition, DSN intends to amend its Certificate of Incorporation and change its corporate name to Diversus, Inc.
28. As described in the Application, Mr. Waring, Mr. Carpenter and Ms. Campbell would become the ultimate controlling persons of PCA as a result of the Acquisition.

Standards for Review

29. 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.

Licensing Requirements

30. 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.
31. The classes of insurance for which a reciprocal and inter-insurance exchange may be formed and become licensed to write are set out in the Insurance Company Law (40 P.S. §961).
32. The minimum net worth required of a reciprocal and inter-insurance exchange is set out in Section 964 of the Insurance Company Law (40 P.S. §961).

33. In accordance with Section 964 of the Insurance Company Law (40 P.S. §961), PCA is required to maintain a minimum net worth of \$1,125,000 to write the classes of insurance for which it is presently licensed.
34. Upon completion of the transaction, PCA will have net worth in an amount that will satisfy the minimum required of a reciprocal and inter-insurance exchange licensed to write the classes of authority currently held by PCA.

Competitive Impact

35. The acquisition of control of PCA 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.
36. The acquisition of control of PCA will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of PCA does not exceed the market share levels established in Section 1403.

Financial Condition of Applicant

37. 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 person(s).
38. The Department has reviewed the most recent quarterly financial statement submitted by DSN as of March 31, 2014.
39. As of March 31, 2014, DSN reported:

Assets of \$19,992,000
Liabilities of \$13,881,000
Total equity of \$6,111,000
40. The financial condition of DSN would not pose any impediments to the change in control nor jeopardize the financial condition of PCA.

Plans for the Acquired Insurer

41. 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.

42. As stated in the Application, DSN has no future plans or proposals to liquidate PCA, 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, except as stated below.
43. As stated in the Application, DSN is considering a change in the corporate structure of PCA by first converting it from a reciprocal and inter-insurance exchange to a mutual insurer, followed by a subsequent conversion from a mutual to a stock insurance company. However, such a change would first require a change in Pennsylvania law and a subsequent filing with the Department.

Management

44. 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 insurer.
45. Biographical affidavits for all directors and executive officers of DSN were reviewed by the Department.
46. The Department is satisfied that the persons who would control the operations of PCA have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
47. 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 change in control of PCA.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department 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 write 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 party 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 any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurers 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 of the public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - 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 PCA.
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

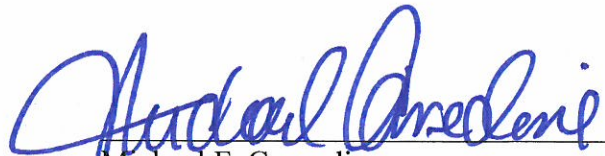
Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of DSN Holdings, Inc. (“DSN”) in support of the request for approval to acquire control of Professional Casualty Association as set forth in the application, is hereby approved, subject to this Order and the following condition:

DSN shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.




Michael F. Consedine
Insurance Commissioner
Commonwealth of Pennsylvania