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**Bybee, Cressinda**

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**From:** Steve Bajan <steve.bajan@sauconinsurance.com>  
**Sent:** Thursday, August 27, 2015 4:37 PM  
**To:** Bybee, Cressinda  
**Cc:** froggenbaum@saul.com  
**Subject:** Saucon Mutual Response  
**Attachments:** M&M Wentzel Response Letter.pdf

Ms. Bybee:

Attached please find a copy of our response to the 08-22-2015 letter of Robert & Susan Wentzel. A hard copy has been sent to you via USPS first class mail.

Best regards,

Stephen Bajan  
CEO



610.868.1832



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August 27, 2015

Robert R. & Susan L. Wentzel  
1650 Honeysuckle Lane  
Allentown, PA 18103

Sent via USPS Priority Mail

Mr. & Mrs. Wentzel:

Thank you for your decision to purchase a Saucon Mutual perpetual policy in 2003 and for your loyalty in remaining a policyholder since that date. Your letter dated 8/22/15 has been passed on to us by Cressinda Bybee of the Pennsylvania Insurance Department (Department) for response.

We appreciate the opportunity to address all questions that you have on the effects of the Conversion of Saucon Mutual on you and the Company and are providing information below on each of your three inquiries.

"If approved, are we guaranteed that the policy will stay in effect?"

As described in Saucon Mutual's filing with the Department for its approval of the Conversion (the filing documents are available on the Department's website), there would be no change to your status as a policyholder or the coverage under your policy as a result of the Conversion. Thus, the terms of your policy with respect to coverage limits and deductibles and all policy documents, with the exception of the change of the company name to Saucon Insurance Company on the declaration page, will remain identical before and after the Conversion. Your perpetual policy will continue to have no additional deposits unless you elect to increase coverage under the policy. The initial deposit that you made at policy inception plus all subsequent Annual Adjustment of Limits deposits - less any portion of your deposit that would be returned to you in connection with the Conversion (as described below) -- will be paid to you in full upon termination of the policy.

Further, if the Conversion is approved and implemented, you would receive the following consideration in exchange for the extinguishment of your membership rights in Saucon Mutual (i.e., as a policyholder of a mutual, you are considered a "member" and entitled to certain rights, including voting rights, such as the right to elect directors or approve a conversion to a stock insurer):

1. A portion of your current deposit will be returned to you. This amount would be calculated at 15% of your perpetual deposit (including your initial deposit plus all subsequent AAOL deposits). The balance of your deposit (the remaining 85%) will be returnable to you in full upon termination of the policy.

2. A cash loyalty payment would be made to you. A loyalty payment would be calculated by multiplying the number of days that your policy has been in effect from the date of inception to the Conversion closing date by \$0.2787 per day (rounded to the nearest dollar). This formula, as with the formula for the return of deposit, is subject to possible change until approval is granted by the Department.

3. You will not be charged for the increase in your coverage under provisions of the Annual Adjustment of Limits (AAOL) Endorsement of your policy. Since 2010 you have been invoiced annually for the additional deposit necessary to support the 4% annual increase in coverage as provided for in the AAOL endorsement. Upon implementation of the Conversion, the AAOL endorsement will remain in effect and your coverage will be increased 4% annually; however you would no longer be invoiced for an additional deposit.

“Will the liquidity of the company continue to be sustained?”

As you correctly observed, Saucon Mutual currently is a financially viable insurer. However, since the Company has written no new perpetual policies since 2005 and only a few term policies since that time, it does not have the necessary infrastructure or personnel to effectively write and service new insurance business to maintain its financial strength. The purpose of the Conversion is to raise capital necessary for the costs of resuming and maintaining our insurance operations in an effort to assure our continued financial viability for existing and new policyholders. Because of the limited means by which mutual insurers can raise funds for operations (e.g. loans, contributions or merging with another insurer) to support the changes Saucon must undertake to re-enter the insurance underwriting business, the decision was made to pursue the conversion to a stock company, which is a more amendable structure to raising capital necessary to support insurance operations and growth.

“Why should a few nameless individuals control the assets of a multi-million dollar company.”

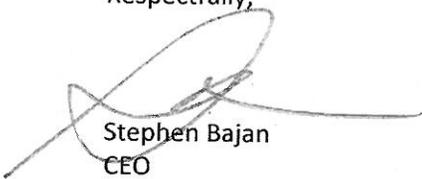
The individuals who will be investing \$3.2 million of their personal funds in Saucon Holding Company (the company that will itself purchase the stock of the converted Saucon Mutual) are members of the Board and management of Saucon Mutual. The individuals who would own a controlling interest in Saucon Holding are Brian Regan, Michael Crofton and Martin Gilchrist, members of the Saucon Mutual Board. Each of the investors in Saucon Holding are deeply committed to Saucon, have worked for many years to ensure Saucon’s financial viability, and believe in its future.

Because the process of rebuilding our insurance operations for continued financial viability is likely to take a number of years to fully implement, we wanted investors who are fully committed to Saucon’s direction and accept and understand both the possibility for any return on that investment is long-term in nature and is subject to oversight by the Department to assure the well-being of the insurance company and the protection of policyholders.

In summary, we believe that the Conversion is in the best interests of both the Company and of the Company’s policyholders for both the short term and the long term financial viability of the Company.

Again, we thank you for your loyalty as a Saucon Mutual policyholder and appreciate the opportunity to address any concerns that you may have about the Conversion. Please feel free to contact me if you have any additional questions.

Respectfully,



Stephen Bajan  
CEO

cc: Cressinda E. Bybee, Pennsylvania Insurance Department