

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Thomas C. Hardy and : Companies Act, Article XIV of the
Jan C. Hardy in Support of the Request : Insurance Company Law of 1921,
for Approval to Acquire Control of : Act of May 17, 1921, P.L. 682,
Unity Financial Life Insurance : as amended, 40 P.S. §§991.1401,
Company : 991.1402, and 991.1403
: :
: Order No. ID-RC-01-35

DECISION AND ORDER

AND NOW, on this 13th day of December, 2001, M. Diane Koken, 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. Unity Financial Life Insurance Company ("Unity Financial") is a stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Syracuse, New York.

2. Unity Mutual Life Insurance Company ("Unity Mutual") is a mutual life insurance company organized under the laws of the State of New York, with its principal place of business in Syracuse, New York. Unity Mutual currently controls 100% of the issued and outstanding voting stock of Unity Financial.
3. Family Unity Holdings, LLC ("Family Unity") is a limited liability company that is in the process of being organized under the laws of the State of Delaware with its principal place of business to be located in Syracuse, New York.
4. Hardy, LLC is a limited liability company organized under the laws of the State of Delaware with its principal place of business located in the Cincinnati, Ohio.
5. Thomas Cresson Hardy ("Mr. Hardy") is an individual with his principal place of business in Cincinnati, Ohio. Mr. Hardy currently owns 100% of Hardy, LLC.
6. Jan Corinne Hardy ("Ms. Hardy" and together with Mr. Hardy "the Applicants") is an individual with her principal place of business in Cincinnati, Ohio.

Acquisition Filing

7. 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.
8. On October 9, 2001, 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 the Applicants for approval to acquire a controlling interest in Unity Financial.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

10. On October 27, 2001, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by the Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty (30) day period, ending November 26, 2001.
11. The Department received no comments regarding the Application during the thirty (30) day comment period.

Description of the Proposed Acquisition

12. As described in the Application, on August 31, 2001, Hardy, LLC and Unity Mutual signed a Stock Purchase Agreement, under which Hardy, LLC will purchase 50% of the voting stock of Unity Financial from Unity Mutual.
13. As described in the Application Hardy, LLC and Unity Mutual will each make a capital contribution of their stock in Unity Financial to Family Unity. After these capital contributions Family Unity will own 100% of Unity Financial, and Hardy, LLC & Unity Mutual will each own 50% of Family Unity.
14. As described in the Application on or about December 14, 2001, the Applicants and another party will make capital contributions to Hardy, LLC. After these capital contributions are made Mr. Hardy and Ms. Hardy will each own 48.5% of Hardy, LLC.

Standards for Review

15. 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.
16. 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

17. 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.

18. 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).
19. 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).
20. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Unity Financial is required to maintain a minimum paid up capital stock of \$1,100,000 to write the classes of insurance for which it is presently licensed.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Unity Financial is required to maintain a minimum paid in surplus of \$550,000 to write the classes of insurance for which it is presently licensed.
22. Upon completion of the transaction, Unity Financial will have paid up capital in an amount that will satisfy the statutory minimum required of a life insurance company licensed to write the classes of authority currently held by Unity Financial.
23. Upon completion of the transaction, Unity Financial will have paid in surplus in an amount that will satisfy the statutory minimum required of a life insurance company licensed to write the classes of authority currently held by Unity Financial.

Competitive Impact

24. The acquisition of control of Unity Financial 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 tends to create a monopoly in the Commonwealth.
25. The acquisition of control of the Unity Financial will not lessen competition or tend to create a monopoly in the Commonwealth because the Applicants are not affiliated with any other insurance companies, so this transaction will not cause the market share of Unity Financial or its ultimate controlling persons to increase.

Financial Condition of the Applicants

26. 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.
27. The personal financial statements of the Applicants have been reviewed by the Department, and the Department has determined that the Applicants' financial condition would not pose any impediments to the change in control nor jeopardize the financial condition of the Unity Financial.

Plans for the Acquired Insurer

28. 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.
29. As provided in the Application, the Applicants have disclosed that they intend to make no significant changes to the business plans of Unity Financial.

Management

30. 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.
31. Biographical affidavits for all directors and executive officers of Hardy, LLC were provided as part of the Application and the Department reviewed all affidavits that were submitted.
32. The Department is satisfied that the persons who would control the operations of Unity Financial have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
33. 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 Unity Financial.
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 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 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 Unity Financial.

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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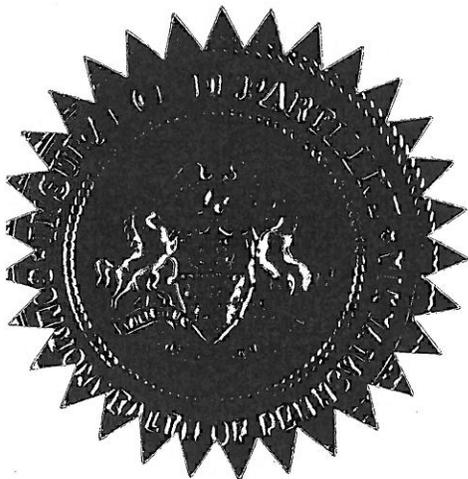
ORDER

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

The acquisition of control by Thomas C. Hardy and Jan C. Hardy of 50% of the issued and outstanding shares of voting stock of Unity Financial Insurance Company is hereby approved, subject to this Order and the following condition:

1. Thomas C. Hardy and Jan C. Hardy shall provide copies of the closing documents to the Insurance Department within five (5) days of consummation of the subject transaction.

This Order is effective immediately and valid for one year, provided no material changes are made to the application.




M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania