

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of John J. Nissley	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for	:	Law of 1921, Act of May 17, 1921,
Voting as Trustee for the Aegis	:	P.L. 682, <u>as amended</u> , 40 P.S.
Security, Inc. Employee Stock	:	§§991.1401, 991.1402, and
Option Plan	:	991.1403
	:	
	:	Order No. ID-RC-03-13

DECISION AND ORDER

AND NOW, on this 27th day of March, 2003, 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. American Sentinel Insurance Company is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
2. Aegis Security Insurance Company is a domestic stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
3. Aegis Security, Inc. is an insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania. Aegis Security, Inc. is the sole shareholder of Aegis Security Insurance Company and American Sentinel Insurance Company.

4. John J. Nissley (“Mr. Nissley”) is an individual that directly owns 332,540 shares (16.32%) of the issued and outstanding common stock of Aegis Security, Inc.
5. The Aegis Security, Inc. Employee Stock Option Plan (“the ESOP”) is a pension plan that prior to December 31, 2002, held 299,350 (14.69%) shares of the issued and outstanding common stock of Aegis Security, Inc.
6. Prior to December 31, 2002, the Aegis Security, Inc. Money Purchase Pension Plan (“the MPPP”) was a pension plan that held 241,280 (11.84%) shares of the issued and outstanding common stock of Aegis Security, Inc.
7. Mr. Nissley has been appointed as one of two trustees for the ESOP and the MPPP.
8. The Pennsylvania Insurance Department (“Department”) Order No. ID-RC-02-09 issued March 14, 2002, approved Mr. Nissley to vote not greater than 370,000 shares held by the ESOP and 320,000 shares held by the MPPP without the prior approval of the Department.

Filing of Application

9. On February 27, 2002, the Department received an initial request from Mr. Nissley (which together with all material received subsequently is collectively referenced as “Request”), for approval to vote up to 700,000 shares held by the ESOP.
10. 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 acquisitions of the rights to vote stock which will result in control of domestic insurers must be filed with the Department for approval or disapproval.
11. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

The Transaction

12. As described in the Request, Aegis Security, Inc. has merged the MPPP with and into the ESOP (“Merger”). The effective date of the Merger is December 31, 2002.
13. As described in the Request, as of December 31, 2002, the ESOP holds 540,630 (26.53%) shares of the issued and outstanding common stock of Aegis Security, Inc.
14. As a result of the Merger, Mr. Nissley’s ESOP voting limitation established by Order No. ID-RC-02-09 has been exceeded. As such, Mr. Nissley is requesting approval to vote up to 700,000 shares of the ESOP without prior approval from the Department.

15. As provided in the Request, ultimate control of Aegis Security, Inc. will not change as a result of Mr. Nissley voting the shares held by the ESOP.
16. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction is otherwise not comprehended within the purpose of Section 1402.
17. The Deputy Commissioner finds that the transaction described in the Request is otherwise not comprehended within the purpose of Section 1402 of the Insurance Holding Companies Act.
18. 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 control of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The acquisition of control of stock proposed in the Request is otherwise not comprehended within the purpose of Section 1402 of the Insurance Holding Companies Act, and, therefore, is exempt from the requirements of Section 1402(b).
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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Option Plan	:	991.1403
	:	
	:	Order No. ID-RC-03-13

ORDER

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

An approving determination on the request of John J. Nissley (“Mr. Nissley”) to vote shares of common stock held by the Aegis Security, Inc. Employee Stock Option Plan (“the ESOP”), as set forth in the Request, is hereby granted subject to this Order and the following condition:

Mr. Nissley shall not vote greater than 700,000 shares held by the ESOP without the prior approval of the Insurance Department.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation