

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,  
: and 1403 of the Insurance  
Application of Clal U.S. Holdings, Inc. : Holding Companies Act, Article  
Requesting Exemption from the : XIV of the Insurance Company  
Requirements of 40 P.S. §991.1402 for the : Law of 1921, Act of May 17, 1921,  
Restructuring of its Holding Company : P.L. 682, as amended, 40 P.S.  
System, which includes AmGUARD : §§991.1401, 991.1402, and  
Insurance Company, EastGUARD : 991.1403  
Insurance Company, NorGUARD :  
Insurance Company and WestGUARD :  
Insurance Company :  
: Order No. ID-RC-13-22

DECISION AND ORDER

AND NOW, on this 3<sup>rd</sup> day of April, 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 the Parties

1. WestGUARD Insurance Company (“WestGUARD”) is a domestic stock casualty  
insurance company organized under the laws of Pennsylvania with its principal  
place of business in Wilkes-Barre, Pennsylvania.

2. EastGUARD Insurance Company (“EastGUARD”) is a domestic stock casualty insurance company organized under the laws of Pennsylvania with its principal place of business in Wilkes-Barre, Pennsylvania. EastGUARD currently directly holds 12% of the issued and outstanding stock of WestGUARD.
3. AmGUARD Insurance Company (“AmGUARD”) is a domestic stock casualty insurance company organized under the laws of Pennsylvania with its principal place of business in Wilkes-Barre, Pennsylvania. AmGUARD currently directly holds 40% of the issued and outstanding stock of WestGUARD.
4. NorGUARD Insurance Company (“NorGUARD”) is a domestic stock casualty insurance company organized under the laws of Pennsylvania with its principal place of business in Wilkes-Barre, Pennsylvania. NorGUARD currently directly holds 48% of the issued and outstanding stock of WestGUARD.
5. NorGUARD, AmGUARD, EastGUARD and WestGUARD are collectively referenced as “The Domestic Insurers”.
6. GUARD Insurance Group, Inc. (“GIG”) is a foreign holding company organized under the laws of Delaware with its principal place of business in Wilkes-Barre, Pennsylvania. GIG currently holds either directly or indirectly 100% of the issued and outstanding stock of The Domestic Insurers.
7. GUARD Financial Group, Inc. (“GFG”) is a foreign holding company organized under the laws of Delaware with its principal place of business in Wilkes-Barre, Pennsylvania. GFG currently directly holds 100% of the issued and outstanding stock of GIG.
8. Clal U.S. Holdings, Inc. (“Clal.”) is a foreign holding company organized under the laws of Delaware with its principal place of business in Wilkes-Barre, Pennsylvania. Clal currently directly holds 100% of the issued and outstanding stock of GFG.
9. National Indemnity Company (“NICO”) is a foreign stock casualty insurance company organized under the laws of Nebraska with its principal place of business in Omaha, Nebraska. NICO currently directly holds 100% of the issued and outstanding stock of Clal.
10. Berkshire Hathaway Inc. (“Berkshire”) is a foreign holding company organized under the laws of Delaware with its principal place of business in Omaha, Nebraska. Berkshire currently directly holds 100% of the issued and outstanding stock of NICO.
11. Warren E. Buffett (“Mr. Buffett”) is an individual with his primary residence located in Omaha, Nebraska. Mr. Buffett currently owns approximately 37.7% of

the outstanding Class A shares and 2.39% of the Class B shares of Berkshire. This represents approximately 21.33% of the economic interest and 33.97% of the aggregate voting power, given the differing economic and voting rights of Class A relative to Class B stock.

12. Mr. Buffett is the sole ultimate controlling person of The Domestic Insurers.

#### Filing of the Application

13. On December 17, 2013, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from Clal for approval to effectuate a plan of reorganization of the holding company system that includes The Domestic Insurers.
14. 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.
15. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
16. 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

17. As described in the Application, Clal will merge with and into GFG, with GFG being the surviving entity. NICO will receive an equivalent number of shares in GFG as it had in Clal, and the separate corporate existence of Clal will cease.
18. As described in the Application, GFG will subsequently merge with and into GIG, with GIG being the surviving entity. NICO will receive an equivalent number of shares in GIG as it had in GFG, and the separate corporate existence of GFG will cease.
19. As described in the Application, upon completion of the mergers, NICO will directly hold 100% of the issued and outstanding stock of GIG.

20. As described in the Application, upon completion of the mergers, Mr. Buffett will remain as the sole ultimate controlling person of The Domestic Insurers.
21. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
22. As described in the Application, there is a second phase of the reorganization to be filed at a later date, whereas GIG will merge with and into NorGUARD, with NorGUARD being the surviving entity to replace GIG as the holding company for AmGUARD, EastGUARD and WestGUARD.
23. 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 controlling securities 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 Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The transaction is not being contemplated to change or influence the ultimate control of The Domestic Insurers, 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.

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Clal U.S. Holdings, Inc.	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Restructuring of its Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System, which includes AmGUARD	:	§§991.1401, 991.1402, and
Insurance Company, NorGUARD	:	991.1403
Insurance Company, EastGUARD	:	
Insurance Company and WestGUARD	:	
Insurance Company	:	
	:	Order No. ID-RC-13-22

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 application of Clal U.S. Holdings, Inc. requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes AmGUARD Insurance Company, EastGUARD Insurance Company, NorGUARD Insurance Company and WestGUARD Insurance Company, as set forth in the Application, is hereby granted.

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

  
STEPHEN J. JOHNSON  
Deputy Insurance Commissioner

