

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of David Mele in Support of : Companies Act, Article XIV of the  
the Request for Approval to Acquire : Insurance Company Law of 1921, Act  
Control of Fidelio Insurance Company : of May 17, 1921, P. L. 682, as  
: amended, 40 P.S. §§ 991.1401,  
: 991.1402 and 991.1403  
:  
: Order No. ID-RC-21-03

**DECISION AND ORDER**

AND NOW, on this 17th day of February, 2021, Jessica K. Altman, 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**

Identity of PA Domestic Insurer

1. Fidelio Insurance Company (“Fidelio”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Glenside, Pennsylvania.
2. Commonwealth Holdings Corporation (“Commonwealth”) is a domestic insurance holding company organized pursuant to the laws of Pennsylvania with its principal place of business in Glenside, Pennsylvania. Commonwealth currently directly holds 99.99% of the voting stock of Fidelio.

3. Mario Mele (“Mr. Mele”) is an individual with his principal place of business in Glenside, Pennsylvania. As of June 30, 2019, Mr. Mele directly held 71.88% of the voting stock of Commonwealth.
4. Mr. Mele is an ultimate controlling person of Commonwealth.

#### Identity of Applicant

5. David Mele (“Applicant”) is an individual with his principal place of business in Glenside, Pennsylvania.

#### **Acquisition Filing**

6. 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.
7. On November 10, 2020, 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 Applicant for approval to acquire control of Fidelio.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### **Department Procedures**

9. On November 21, 2020, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Applicant 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”).
10. The Department received no comments regarding the Application during the Comment Period.

#### **Description of the Proposed Acquisition**

11. As described in the Application, on July 1, 2019, Mr. Mele transferred 23.21% of his voting stock of Commonwealth to Applicant (the “Transfer”).
12. Applicant did not file for and receive Department approval prior to the Transfer.

13. As described in the Application and subsequent to the Transfer, Applicant directly holds 23.21% of the voting stock of Commonwealth.
14. As described in the Application and subsequent to the Transfer, Applicant is an ultimate controlling person of Fidelio.

#### **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. An application for a change in control must be approved unless the Department 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. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
19. The lines 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).
20. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. § 386).
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. § 386), Fidelio is required to maintain a minimum paid up capital stock of \$100,000 and a minimum paid in surplus of \$50,000 to write the lines of insurance for which it is presently licensed.
22. Fidelio has at all times from July 1, 2019 to present maintained minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.

### Competitive Impact

23. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. § 991.1402(f)(1)(ii) (the “competitive standard”).
24. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
25. The proposed acquisition of control qualifies for the exemptions set forth in Section 1403(b)(2)(v)(A)-(C) of the Insurance Holding Companies Act for all lines of business as contained in the annual statement required to be filed by insurers licensed to do business in this Commonwealth.
26. The acquisition of control of Fidelio will not lessen competition or tend to create a monopoly in the Commonwealth because Applicant does not control any other insurance interests in the Commonwealth.

### Financial Condition of Applicant

27. 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).
28. The Department has reviewed the financial information submitted by Applicant.
29. The financial condition of Applicant would not pose any impediments to the change in control nor jeopardize the financial condition of Fidelio.

### Plans for the Acquired Insurer

30. 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.
31. In particular, the Department reviewed the plans or proposals which the acquiring party has 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, to determine whether it is:
  - a. Unfair or unreasonable;

- b. Fails to confer a benefit upon policyholders; or
  - c. Not in the public interest.
32. As stated in the Application, Applicant has not had any plans or proposals to liquidate Fidelio, to sell its assets, to merge or consolidate it with any person or persons or to make any other change to Fidelio's business operations or corporate structure.
33. As stated in the Application, at the last annual board meeting held on November 9, 2020, the following board and management changes occurred in Fidelio and Commonwealth:
- a. Applicant was elected President,
  - b. Michael Mele was elected Executive Vice-President,
  - c. Ben Korson was elected Treasurer,
  - d. Mr. Mele was elected President Emeritus, and
  - e. Dorothy Gentilcore resigned.
34. As stated in the Application, these changes occurred due to Fidelio's succession plan being implemented, and not as a result of the change in ownership.
35. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurer are unfair or unreasonable or fails to confer a benefit upon policyholders or are not in the public interest.

Management

36. 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.
37. A biographical affidavit for Applicant was reviewed by the Department.
38. The Department is satisfied that the persons who would control the operations of Fidelio have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

39. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
40. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

41. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
42. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
43. 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 Fidelio.
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 operate the line or lines of business for which they are 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; 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 Fidelio.
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.

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of David Mele in Support of : Companies Act, Article XIV of the  
the Request for Approval to Acquire : Insurance Company Law of 1921, Act  
Control of Fidelio Insurance Company : of May 17, 1921, P. L. 682, as  
: amended, 40 P.S. §§ 991.1401,  
: 991.1402 and 991.1403  
:  
: Order No. ID-RC-21-03

**ORDER**

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

The application of David Mele ("Applicant") in support of the request for approval to acquire control of Fidelio Insurance Company ("Fidelio") as set forth in the application, is hereby approved, subject to this Order and the following conditions:

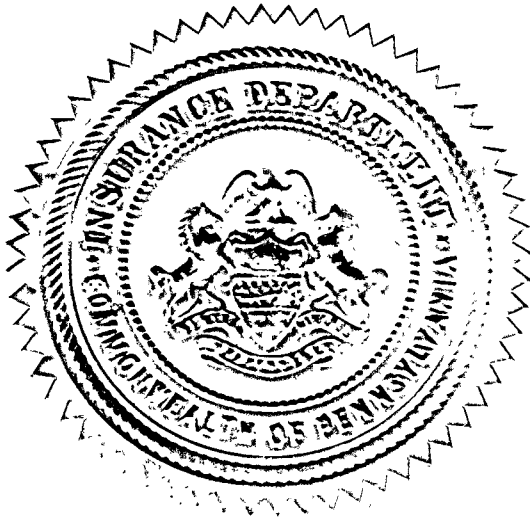
1. Mario Mele and Applicant shall make required filings and obtain required approvals from the Pennsylvania Insurance Department ("Department") for transactions under the jurisdiction of the Department which require notice to, or prior approval of, the Department.
2. Applicant shall provide to the Department a list of closing documents within five (5) days from the date of this Order 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.
3. For a period of two (2) years after the effective date of this Order, Fidelio shall not close or cease actively doing business from: Glenside, Pennsylvania.
4. For three (3) years following the effective date of this Order, Fidelio will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under 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.

5. For three (3) years following the effective date of this Order, Fidelio shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
6. For three (3) years following the effective date of this Order, Fidelio shall not attempt to or actually redomesticate to another jurisdiction.

This Order is effective immediately.



A handwritten signature in black ink that reads "Jessica K. Altman". The signature is written in a cursive style and is positioned above a horizontal line.

Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania