

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Raymond W. Hovsepian,	:	Holding Companies Act, Article
Jr., 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,
Acquisition of Additional Stock of	:	P.L. 682, as amended, 40 P.S.
Pennsylvania Group, Ltd., the Corporate	:	§§991.1401, 991.1402, and
Parent of Commonwealth Insurance	:	991.1403
Company	:	
	:	
	:	
	:	ID-RC-02-17

DECISION AND ORDER

AND NOW, on this \_\_\_7th\_\_\_ day of August, 2002, 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

1. Commonwealth Insurance Company (“CIC”) is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania.
2. Pennsylvania Group, Ltd. (“Group”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania. Group holds 100% of the issued and outstanding voting stock of CIC.
3. Group voting stock is currently held by approximately forty (40) investors.

4. Sidney M. Zilber (“Mr. Zilber”) currently controls approximately 750,000 shares of the 2,824,732 issued and outstanding voting common stock of Group, which is approximately 26.5%.
5. Raymond W. Hovsepian, Jr. (“Mr. Hovsepian”) currently controls approximately 1,183,200 shares of the 2,824,732 issued and outstanding voting common stock of Group, which is approximately 42.0%.
6. Pursuant to 40 P.S. §991.1401, Mr. Zilber and Mr. Hovsepian are each a controlling person of CIC.
7. On August 6, 2002, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Mr. Hovsepian to acquire control of Mr. Zilber’s Group stock.
8. As described in the Request, the action is being taken because Mr. Zilber wishes to relinquish his Group stock holdings and Mr. Hovsepian wishes to increase his Group stock holdings prior to making a capital contribution to Group.
9. As described in the Request, after the transaction Mr. Hovsepian will hold approximately 68.5% of the issued and outstanding common stock of Group.
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 changes 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.
12. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not have the effect of changing or influencing the control of a domestic insurer.
13. As provided in the Request, Mr. Hovsepian would continue to be a controlling person of Group.
14. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the ultimate control of a domestic insurer.
15. 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 voting securities 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 additional common stock proposed in the Request is not being contemplated to change or influence the ultimate control of the Domestic Insurer and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
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 Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of Raymond W. Hovsepian, Jr., requesting exemption from the requirements of 40 P.S. §991.1402 for the acquisition of additional stock of Pennsylvania Group, Ltd., the corporate parent of Commonwealth Insurance Company, as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Regulation of Companies