

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of The Progressive	:	Holding Companies Act, Article
Corporation Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Restructuring of	:	P.L. 682, <u>as amended</u> , 40 P.S.
the Holding Company System that	:	§§991.1401, 991.1402, and
Includes Mountain Laurel Assurance	:	991.1403
Company	:	
	:	Order No. ID-RC-03-39

DECISION AND ORDER

AND NOW, on this 6th day of October, 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. Mountain Laurel Assurance Company (“Mountain Laurel”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Mayfield Village, Ohio.
2. The Progressive Corporation (“Progressive”) is a holding company organized pursuant to the laws of the state of Ohio with its principal place of business located in Mayfield Village, Ohio. Progressive directly owns 100% of the issued and outstanding common shares of Mountain Laurel.
3. Progressive is the sole ultimate controlling person of Mountain Laurel.

Filing of the Request

4. On September 30, 2003, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Progressive for approval to effectuate a corporate restructuring that would result in a change in control of Mountain Laurel within the holding company system.
5. 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.
6. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
7. 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

8. As described in the Request, Progressive proposes to transfer all the issued and outstanding common shares of Mountain Laurel to a newly-formed holding company subsidiary, Progressive Direct Holdings, Inc. (“PD Holdings”).
9. As described in the Request, Mountain Laurel would be a 100% directly-owned subsidiary of PD Holdings.
10. As described in the Request, PD Holdings would be a 100% directly-owned subsidiary of Progressive.
11. As described in the Request, Progressive would remain the sole ultimate controlling person of Mountain Laurel.
12. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
13. 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 Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The restructuring of the holding company system proposed in the Request is not being contemplated to change or influence the ultimate control of Mountain Laurel, 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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Includes Mountain Laurel Assurance	:	991.1403
Company	:	
	:	Order No. ID-RC-03-39

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 request for exemption from the requirements of 40 P.S. §991.1402(b) for the restructuring of the holding company system containing Mountain Laurel Assurance Company, as set forth in the Request, is hereby granted.

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

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