

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Penn Independent	:	Holding Companies Act, Article
Corporation Requesting Exemption from	:	XIV of the Insurance Company
the Requirements of 40 P.S. §991.1402 for	:	Law of 1921, Act of May 17, 1921,
the Reorganization of its Holding	:	P.L. 682, <u>as amended</u> , 40 P.S.
Company System, which includes Penn-	:	§§991.1401, 991.1402, and
Star Insurance Company and Penn-	:	991.1403
America Insurance Company	:	
	:	
	:	
	:	Order No. ID-RC-04-13

DECISION AND ORDER

AND NOW, on this __19th____ day of May, 2004, 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. Penn-Star Insurance Company (“Penn-Star”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Hatboro, Pennsylvania.
2. Penn-America Insurance Company (“Penn-America” and together with Penn-Star the “Domestic Insurers”) is a domestic stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal

- place of business in Hatboro, Pennsylvania. Penn-America directly holds 100% of the issued and outstanding capital stock of Penn-Star.
3. Penn America Group, Inc. (“ Penn America Group”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania, with its principal place of business to be located in Hatboro, Pennsylvania. Penn America Group directly holds 100% of the issued and outstanding capital stock of Penn-America.
 4. Penn America Group is a publicly traded company on the New York Stock Exchange under the symbol “PNG”.
 5. PIC Holdings, Inc. is an insurance holding company organized under the laws of the state of Delaware with its principal place of business located in Wilmington, Delaware.
 6. Penn Independent Corporation (“Penn Independent”) is business corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Hatboro, Pennsylvania. Penn Independent directly holds 30.4% of the issued and outstanding capital stock of Penn America Group and 100% of the issued and outstanding capital stock of PIC Holdings, Inc.
 7. Penn Independent is the only entity holding 10% or great of the issued and outstanding capital stock of Penn America Group.
 8. Irvin Saltzman (“Mr. Saltzman”) is an individual that currently controls 45.94% of the issued and outstanding capital stock of Penn Independent.
 9. Mr. Saltzman is the only entity holding 10% or greater of the issued and outstanding capital stock of Penn Independent.
 10. Mr. Saltzman is the sole ultimate controlling person of the Domestic Insurers.

Filing of the Application

11. On May 18, 2004, 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 Penn Independent for approval to effectuate a plan of reorganization of the holding company system that includes the Domestic Insurers.
12. 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.

13. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
14. 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

15. As described in the Application, Penn Independent proposes to contribute its direct holdings of Penn America Group to PIC Holdings, Inc.
16. As described in the Application, PIC Holdings, Inc. would directly hold 30.4% of the issued and outstanding capital stock of Penn America Group.
17. As described in the Application, Penn Independent would continue to hold 100% of the issued and outstanding capital stock of PIC Holdings, Inc.
18. As described in the Application, Mr. Saltzman would continue to be the sole ultimate controlling person of the Domestic Insurers.
19. 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.
20. 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 instant 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.

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America Insurance Company	:	
	:	
	:	
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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 Penn Independent Corporation requesting exemption from the requirements of 40 P.S. §991.1402 for the reorganization of its Holding Company System, which includes Penn-Star Insurance Company and Penn-America 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