

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Duane Morris, LLP	:	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 the Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System that Controls Pennsylvania	:	§§991.1401, 991.1402, and
Healthcare Providers Insurance Exchange	:	991.1403
	:	
	:	Order No. ID-RC-04-14

DECISION AND ORDER

AND NOW, on this 2nd day of June, 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 Parties

1. Pennsylvania Healthcare Providers Insurance Exchange (“PAHPIX”) is an insurance reciprocal exchange organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania.
2. Pennsylvania Healthcare Providers Insurance Services Company, LLC. (“PA-AIF”) is a limited liability company organized pursuant to the laws of the state of Delaware with its principal place of business located in Harrisburg, Pennsylvania. PA-AIF is the attorney-in-fact for PAHPIX.
3. Wescott Holding Company, LLC (“Wescott”) is a limited liability company organized pursuant to the laws of the state of Delaware with its principal place of

business located in Philadelphia, Pennsylvania. Wescott owns 76.19% of the membership interests of PA-AIF.

4. Duane Morris, LLP (“Duane Morris”) is a Delaware general partnership registered as a limited liability partnership with its principal place of business located in Philadelphia, Pennsylvania. Wescott is wholly owned by Duane Morris.
5. Duane Morris is the sole ultimate controlling person of PAHPIX.

Filing of the Request

6. On May 19, 2004, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Duane Morris for approval to effectuate a corporate restructuring that would result in a change of control of PAHPIX within the holding company system.
7. 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 a domestic exchange must be filed with the Department for approval or disapproval.
8. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
9. 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 exchange, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

10. As described in the Request, Duane Morris proposes to form a new limited liability company with the name of American Healthcare Providers Insurance Services Company, LLC (“American”).
11. As described in the Request, Wescott would exchange its membership interests in PA-AIF for membership interests in American.
12. As described in the Request, following the exchange, American would own all of the membership interests in PA-AIF and American would be owned 76.19% by Wescott.

13. As described in the Request, Duane Morris would continue to own 100% of Wescott and would remain the sole ultimate controlling person of PAHPIX.
14. 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 exchange.
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 a domestic exchange if, after consummation thereof, the acquiring person would be in control of the domestic exchange.
2. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The acquisition of control by American as proposed in the Request is not being contemplated to change or influence the ultimate control of PAHPIX, 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.

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Duane Morris, LLP	:	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 the Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System that Controls Pennsylvania	:	§§991.1401, 991.1402, and
Healthcare Providers Insurance Exchange	:	991.1403
	:	
	:	Order No. ID-RC-04-14

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) by Duane Morris, LLP for the restructuring of the holding company system that controls Pennsylvania Healthcare Providers Insurance Exchange, 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