

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,
: and 1403 of the Insurance
Application of Castle, Harlan Partners : Holding Companies Act, Article
III GP, Inc. Requesting Exemption : XIV of the Insurance Company
from the Requirements of 40 : Law of 1921, Act of May 17, 1921,
P.S. §991.1402 for the Acquisition of : P.L. 682, as amended, 40 P.S.
Control of Homestead Insurance : §§991.1401, 991.1402, and
Company Capital Stock : 991.1403
:
:
: Order No. ID-RC-06-03

DECISION AND ORDER

AND NOW, on this 1st day of March, 2006, 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. Homestead Insurance Company ("Homestead") is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Paramus, New Jersey.

2. Dearborn Risk Management, Inc. ("Dearborn") is an insurance holding company organized under the laws of the state of Delaware with its principal place of business in Paramus, New Jersey. Dearborn directly holds 100% of the issued and outstanding voting stock of Homestead.
3. Castle, Harlan Partners II L.P. ("CHLP II") a limited partnership organized under the laws of the state of Delaware with its principal place of business in New York, New York. CHLP II currently holds approximately 71.5% of the voting stock of Dearborn.
4. Castle, Harlan Associates, L.P. ("CHALP") is a limited partnership organized under the laws of the state of Delaware with its principal place of business in New York, New York. CHALP controls 100% of CHLP II.
5. Castle, Harlan Partners II GP, Inc. ("CH Partners II") is an investment company organized under the laws of the state of Delaware with its principal place of business in New York, New York. CH Partners II controls 100% of CHALP.
6. Castle, Harlan Partners III L.P. ("CHLP III") is a limited partnership organized under the laws of the state of Delaware with its principal place of business located in New York, New York.
7. Castle, Harlan Associates III, L.P. ("CHA III") is a limited partnership organized under the laws of the state of Delaware with its principal place of business located in New York, New York. CHA III controls 100% of CHLP III.
8. Castle, Harlan Partners III GP, Inc. ("CH Partners III") is an investment company organized under the laws of the state of Delaware with its principal place of business located in New York, New York. CH Partners III controls 100% of CHA III.
9. John K. Castle ("Mr. Castle") is an individual with his principal place of business located in New York, New York. Mr. Castle holds 66.67% of the issued and outstanding voting stock of CH Partners II and CH Partners III.
10. Leonard M. Harlan ("Mr. Harlan") is an individual with his principal place of business located in New York, New York. Mr. Harlan holds 33.33% of the issued and outstanding voting stock of CH Partners II and CH Partners III.

11. Mr. Castle and Mr. Harlan are ultimate controlling persons of Homestead.

Filing of the Application

12. On February 10, 2006, 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 CH Partners III for approval to transfer direct ownership of Dearborn stock from CHLP II to CHLP III.
13. 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.
14. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
15. 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

16. As described in the Application, CHLP III would directly hold the 71.6% of the issued and outstanding voting common stock of Dearborn which had been held by CHLP II.
17. As described in the Application, Mr. Castle and Mr. Harlan would continue to be ultimate controlling persons of Homestead.
18. 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.
19. 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 Homestead, 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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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 Castle, Harlan Partners III GP, Inc. requesting exemption from the requirements of 40 P.S. § 991.1402 for the acquisition of control of Homestead 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