

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of NORCAL Mutual : Companies Act, Article XIV of the
Insurance Company Requesting : Insurance Company Law of 1921, Act of
Exemption from the Requirements of 40 : May 17, 1921, P.L. 682, as amended, 40
P.S. §991.1402 for the Restructuring of : P.S. §§991.1401, 991.1402, and
the Holding Company System that : 991.1403
includes PMSLIC Insurance Company :
: Order No. ID-RC-09-31

DECISION AND ORDER

AND NOW, on this 1st day of October, 2009, 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. PMSLIC Insurance Company (“PMSLIC”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Mechanicsburg, Pennsylvania.
2. Medical Group Holdings, Inc. (“Medical Group”) is a stock company organized pursuant to the laws of the State of Delaware with its principal place of business in San Francisco, California. PMSLIC is a wholly-owned subsidiary of Medical Group.

3. NORCAL Mutual Insurance Company (“NORCAL”) is a mutual casualty insurance company organized pursuant to the laws of the State of California with its principal place of business in San Francisco, California. Medical Group is a wholly-owned subsidiary of NORCAL.
4. NORCAL is the sole ultimate controlling person of PMSLIC.

Filing of the Request

5. On September 17, 2009, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from NORCAL for approval to effectuate a corporate restructuring that would result in a change in ownership of PMSLIC within the holding company system.
6. 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.
7. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
8. 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

9. As described in the Request, Medical Group will distribute 100% of the stock of PMSLIC to NORCAL.
10. As described in the Request, Medical Group will dissolve after the stock distribution.
11. As described in the Request, NORCAL will remain the sole ultimate controlling person of PMSLIC following the transaction.
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 PMSLIC, 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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the Holding Company System that	:	991.1403
includes PMSLIC Insurance Company	:	
	:	Order No. ID-RC-09-31

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 PMSLIC Insurance 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