

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to the Insurance Company
: Mutual-to-Stock Conversion Act, Article
Application of The Philadelphia : VIII-A of the Insurance Company Law of
Contributionship for the Insurance of : 1921, Act of May 17, 1921, P.L. 682, as
Houses from Loss by Fire Requesting : amended, added 1995, Dec. 21, P.L. 714,
Approval of a Mutual-to-Stock : 40 P.S. §§911-A et seq., as amended;
Conversion and Reorganization Plan : Sections 1401, 1402, and 1403 of 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. §§991.1401-1403.
:
: Order No. ID-RC-09-34

DECISION AND ORDER

AND NOW, on this 4th day of November, 2009, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Mutual-to-Stock Conversion Act, the Insurance Holding Companies Act, the Business Corporation Law and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire (“Contributionship”) is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Philadelphia, Pennsylvania.
2. TPC Holdings, Inc. (“SHC”) is a to be formed stock insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Philadelphia, Pennsylvania.
3. The Philadelphia Contributionship Mutual Holding Co. (“MHC”) is a to be formed mutual insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Philadelphia, Pennsylvania. MHC

will directly hold 100% of the issued and outstanding capital stock of SHC at formation.

The Filings

4. On July 17, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter collectively referenced as “Application”) from Contributionship requesting approval to convert from the mutual to stock form (“the Conversion”).
5. The Insurance Company Mutual-To-Stock Conversion Act, 40 P.S. §§911-A et seq., as amended (the “Conversion Act”), provides that all plans of conversion of domestic mutual insurers must be filed with the Commissioner for approval or disapproval.
6. Section 917-A of the Conversion Act provides that a domestic mutual insurer may adopt an alternative plan of conversion if the Commissioner finds that the plan does not prejudice the interests of the policyholders, is fair and equitable, and is not inconsistent with the purpose and intent of the Conversion Act.
7. As specified in the Application, Contributionship proposes to convert from the mutual-to-stock form pursuant to Section 917-A of the Conversion Act.
8. The Insurance Holding Companies Act, Article XIV of the Insurance Corporation 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 acquisitions of control of domestic insurers must be filed with the Commissioner for approval or disapproval.
9. As specified in the Application, SHC proposes to acquire 100% of the issued and outstanding capital stock of Contributionship upon the conversion of Contributionship to a stock insurance company.
10. The Application was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act and Section 913-A of the Conversion Act.

Department Procedures

11. On August 1, 2009, the Department published notice in the *Pennsylvania Bulletin* that the request for approval for a mutual-to-stock conversion was submitted by Contributionship. This notice invited interested persons to submit comments to the Department regarding the mutual-to-stock conversion for a forty-five day period (“the Comment Period”).
12. The Department received comments from four policyholders regarding the proposed mutual-to-stock conversion during the Comment Period.

13. The four comments received presented concerns with the effects of the demutualization on the ownership interests and financial strength of Contributionship.
14. All comments, documents and other inquiries received by the Department from interested persons regarding the demutualization were forwarded to Contributionship for response, as required by the Department.
15. One of the four comments requested that the Department require Contributionship to offer an alternative plan for demutualization, which had not been approved by the Board of Directors of Contributionship (“Alternative Plan”).
16. The Department advised the commenter that requested the Alternative Plan that the Mutual-to-Stock Act prohibits the Department from considering any demutualization plan that has not been approved by the Board of Directors of the insurer.
17. In its analysis of the Application the Department reviewed and considered the issues raised in all comments from interested persons as well as Contributionship’s responses to those comments.

Description of the Proposed Mutual-to-Stock Conversion

18. The management and Board of Directors of Contributionship believe that it is in the best interest of the insurance company and its members (“policyholders”) to reorganize Contributionship by a partial conversion to a stock insurance company within a mutual holding company system.
19. The converted stock insurance company (“Stock Insurance Company”) will be wholly-owned by SHC which will be wholly-owned by MHC.
20. The current policyholders of Contributionship and future policyholders of Stock Insurance Company will be members of MHC.
21. On July 7, 2009, the Board of Directors of Contributionship unanimously adopted a plan of conversion (including any and all amendments, the “Plan of Conversion”) under which:
 - a. Contributionship intends to undertake a partial conversion from the mutual to stock form;
 - b. a mutual holding company will be organized and the members of Contributionship will become members of the mutual holding company;
 - c. a stock holding company will be organized and the mutual holding company will hold 100% of the capital stock of the stock holding company; and

- d. the stock holding company will hold 100% of the capital stock of the converted stock insurance company.
- 22. At the time the Board of Directors of Contributionship adopted the Plan of Conversion, Contributionship had approximately 5,549 policyholders (“Eligible Members”).
- 23. As specified in the Application, Contributionship shall send notice of a policyholders’ meeting to vote upon the Plan of Conversion to the Eligible Members upon receiving an approving determination by the Commissioner in the instant proceeding.
- 24. As specified in the Application, upon receiving the affirmative vote of at least two-thirds of the votes cast by the Eligible Members, Contributionship may convert to the stock form by completing the required filings with the Pennsylvania Department of State.

Policyholder Interests

- 25. As described in the Plan, each policy in force on the Effective Date will continue in force as a policy of Stock Insurance Company with all policy and contract rights under such policies remaining as they existed on the Effective Date, except that the following rights and obligations, to the extent such rights and obligations existed in the policies, will be extinguished on the Effective Date:
 - a. any voting rights of the policyholders provided under the policies;
 - b. any right to share in the surplus of Contributionship provided for under the policies; and
 - c. any obligation to pay assessments provided for under the policies.
- 26. As described in the Application, all persons insured by Contributionship on the Effective Date, except the holder of a policy or contract of reinsurance, will become members of MHC with voting rights, so long as at least one policy which leads to such membership remains in force. Regardless of the number of such policies or such amount of insurance, each member will be entitled to one vote at each members’ meeting.
- 27. As described in the Plan, on the Effective Date all the shares of the common stock of Stock Insurance Company will be acquired by MHC, and all the shares of common stock of SHC will be acquired by MHC in exchange for the Stock Insurance Company common stock.
- 28. As described in the Plan, no subscription rights to purchase any of the capital stock of Stock Insurance Company, SHC, or any other corporation will be offered to any officer, director, member of Contributionship, MHC, or SHC, or persons of the general public

as a part of or as a result of the Plan. Accordingly, no independent evaluation of the pro forma market value of Contributionship was included in the Application.

Description of the Proposed Acquisition

29. The 2008 Annual Statement of Contributionship reports \$189,379,300 in surplus as regards policyholders.
30. As specified in the Application, at the time of the Conversion, the existing surplus of Contributionship would be recorded as “unassigned funds.”
31. As specified in the Application, at the time of the Conversion Contributionship would issue a dividend of up to \$9,750,000 to MHC.
32. MHC would make a capital contribution to Stock Insurance Company for up to \$9,750,000 in return for 100% of the issued and outstanding capital stock of Stock Insurance Company.
33. As specified in the Application, MHC would then make a capital contribution to SHC of 100% of the issued and outstanding capital stock of Stock Insurance Company in exchange for 100% of the issued and outstanding capital stock of SHC.
34. As specified in the Application, after the acquisition of Stock Insurance Company stock by MHC, Stock Insurance Company would have a capital account balance of \$4,200,000 and a contributed surplus account balance of \$5,550,000.
35. As specified in the Application, upon completion of the Conversion and Acquisition Stock Insurance Company would have the statutory minimum amounts of capital and contributed surplus required of a stock property insurance company authorized to write the existing lines of authority currently held by Contributionship.
36. Based on the information contained in the Application, the Commissioner finds that the contemplated conversion of Contributionship would not prejudice the interests of the Eligible Members of Contributionship.
37. Based on the information contained in the Application, the Commissioner finds that the contemplated conversion of Contributionship is not inconsistent with the purpose and intent of the Conversion Act.
38. 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. The Conversion Act provides the Commissioner jurisdiction to review and approve the Plan of Conversion.
2. Section 913-A(e) of the Conversion Act states that the Commissioner may order a hearing on whether the terms of the Plan of Conversion comply with the Conversion Act after giving written notice to the mutual company and other interested persons, all of whom have the right to appear at the hearing.
3. The parties to the filing did not request a hearing, and, after review of the circumstances and documents relating to the Application, the Commissioner did not elect to conduct a hearing as a proper exercise of his statutory discretion.
4. As specified in the Application, all policies of Contributionship in force at the time of Conversion would continue in force, and the Conversion would not change, reduce or impair in any way the insurance obligations of Contributionship under any insurance policy issued or contract entered into by Contributionship.
5. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the Conversion would not prejudice the interests of the Eligible Members.
6. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the provisions of the Application are fair and equitable.
7. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the Application is not inconsistent with the purpose and intent of the Conversion Act.
8. As allowed by Section 918-A of the Conversion Act, the Conversion would become effective when the Eligible Members have approved the Plan of Conversion and adopted amended articles of incorporation and such amended articles of incorporation have been filed in the office of the Secretary of the Commonwealth.
9. The Insurance Holding Companies Act grants the Commissioner jurisdiction to review and approve the Acquisition.
10. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt an acquisition from the requirements of Section 1402 if the acquisition does not have the effect of changing or influencing the control of a domestic insurer.
11. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Commissioner concludes that the Acquisition would not change the ultimate controlling persons of Contributionship, and, therefore, is exempt from the filing requirements of

the Insurance Holding Companies Act.

12. The Commissioner concludes that the Application satisfies the requirements of the Conversion Act, the Insurance Holding Companies Act and the Business Corporation Law.
13. 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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In Re:	:	Pursuant to the Insurance Company
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ORDER

Upon consideration of the foregoing, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Order:

The Application of The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire (“Contributionship”) requesting approval of a Mutual-to-Stock Conversion and Reorganization Plan, as specified in the Application, is hereby granted, subject to this Order and the following conditions:

1. Contributionship shall submit for the Commissioner’s approval any changes to the Plan of Conversion.
2. Contributionship shall, within sixty (60) days of the date of this Order, send a notice to its Eligible Members, in a form acceptable to the Insurance Department, advising them of the policyholder meeting to vote on the plan of conversion in the form contained in the Application.
3. Contributionship shall effectuate the Conversion as contemplated in the Application no later than 120 days following the date of this Order.
4. Contributionship shall provide a copy of all final executed documents relative to the Conversion to the Commissioner within five (5) days of the effective date of the Conversion.

5. Contributionship shall, within sixty (60) days of the effective date of conversion, send a notice to its producers, in a form acceptable to the Insurance Department, giving notice of the conversion.

This Order is effective immediately.

Joel Ario
Insurance Commissioner
Commonwealth of Pennsylvania