

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of ISG Acquisition IV LLC in	:	Companies Act, Article XIV of the
Support of the Request for Approval to	:	Insurance Company Law of 1921,
Acquire Control of Shared Services	:	Act of May 17, 1921, P.L. 682,
Insurance Group Inc.	:	<u>as amended</u> , 40 P.S. §§991.1401,
	:	991.1402, and 991.1403
	:	
	:	Order No. ID-RC-09-40

DECISION AND ORDER

AND NOW, on this 15th day of December, 2009, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company Act 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 Parties

1. Shared Services Insurance Group Inc. (“Shared Services”) is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Mechanicsburg, Pennsylvania.
2. ISG Acquisition IV LLC (“ISG Acquisition”) is a business corporation organized under the laws of the state of Delaware with its principal place of business located in London, England.
3. ISG International Holdings Corporation (“ISG International”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business located in London, England. ISG International directly holds 100% of the issued and outstanding capital stock of ISG

#### Acquisition.

4. Independent Services Group Limited (“Independent Services”) is a business corporation organized under the laws of the United Kingdom with its principal place of business located in London, England. Independent Services directly holds 50% of the issued and outstanding capital stock of ISG International.
5. Nick Readings (“Mr. Readings”) is an individual with his principal place of business located in London, England. Mr. Readings directly holds 25% of the issued and outstanding capital stock of Independent Services.
6. Pursuant to a shareholders agreement between the shareholders of Independent Services, Mr. Reading is the only controlling person of Independent Services.
7. SOBC Limited (“SOBC”) is a business corporation organized under the laws of the United Kingdom with its principal place of business located in London, England. SOBC directly holds 50% of the issued and outstanding capital stock of ISG International.
8. Stephanie Carne Mocatta (“Ms. Mocatta”) is an individual with her principal place of business located in London, England. Ms. Mocatta directly holds 50% of the issued and outstanding capital stock of SOBC.
9. Richard Paul Whatton (“Mr. Whatton”) is an individual with his principal place of business located in London, England. Mr. Whatton directly holds 50% of the issued and outstanding capital stock of SOBC.
10. Mr. Readings, Ms. Mocatta and Mr. Whatton are the ultimate controlling persons of ISG Acquisition.

#### Acquisition Filing

11. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving the control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
12. On October 1, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from ISG Acquisition for approval to acquire control of Shared Services.
13. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### Department Procedures

14. On October 17, 2009, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by ISG Acquisition and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty day period.
15. The Department received no comments regarding the Application during the thirty day comment period.

#### Description of the Proposed Acquisition

16. As described in the Application, on September 29, 2009, ISG Acquisition entered into a Stock Purchase Agreement (“Agreement”) with the current owners of Shared Services whereby ISG Acquisition would acquire 100% of the issued and outstanding capital stock of Shared Services (the “Acquisition”).
17. As described in the Application, ISG Acquisition would fund the Acquisition from its existing corporate resources.

#### Standards for Review

18. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
19. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

#### Licensing Requirements

20. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
21. The classes of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
22. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
23. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Shared Services is required to maintain a minimum paid up capital stock of \$750,000 to write the classes of insurance for which it is presently licensed.

24. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Shared Services is required to maintain a minimum paid in surplus of \$375,000 to write the classes of insurance for which it is presently licensed.
25. Upon completion of the transaction, Shared Services would have paid up capital in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held.
26. Upon completion of the transaction, Shared Services would have paid in surplus in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held.

#### Competitive Impact

27. The acquisition of control of Shared Services is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
28. The acquisition of control of Shared Services would not lessen competition or tend to create a monopoly in the Commonwealth because the market share of ISG Acquisition, as stated in the Application, does not exceed the market share levels established in Section 1403.

#### Financial Condition of ISG Acquisition

29. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring persons.
30. The financial condition of ISG Acquisition would not pose any impediments to the change in control nor jeopardize the financial condition of Shared Services.

#### Plans for the Acquired Insurer

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
32. As provided in the Application, ISG Acquisition has disclosed that it intends to continue the run-off of Shared Services business.

#### Management

33. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews

- the competence, experience and integrity of the persons who will control the operations of the acquired insurers.
34. Biographical affidavits for all involved directors and executive officers of ISG Acquisition were provided as part of the Application and the Department reviewed all affidavits that were submitted.
  35. The Department is satisfied that the persons who would control the operations of Shared Services have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
  36. 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 Commissioner has jurisdiction to review and approve the change in control of Shared Services.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless the Department has found that:
  - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is presently licensed;
  - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
  - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest;
  - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
  - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Shared Services.
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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	:	
	:	Order No. ID-RC-09-40

ORDER

Upon consideration of the foregoing, the Acting Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The Application of ISG Acquisition IV LLC in support of the request for approval to acquire control of Shared Services Insurance Group Inc. is hereby approved, subject to this Order and the following condition:

ISG Acquisition IV LLC shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction. Such documents shall be available for Department review for a period of not less than five years from the date of the closing of this acquisition.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

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JOEL ARIO  
Insurance Commissioner  
Commonwealth of Pennsylvania