

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 Michael A. Rossi in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921, Act
Acquire Control of Commerce Protective : of May 17, 1921, P. L. 682, as
Insurance Company : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
:
: Order No. ID-RC-11-13

DECISION AND ORDER

AND NOW, on this 16th day of August, 2011, 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. Commerce Protective Insurance Company (“Commerce Protective”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Elizabethtown, Pennsylvania.
2. Londonderry Group, Ltd. (“Londonderry”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Elizabethtown, Pennsylvania. Commerce Protective is a wholly-owned subsidiary of Londonderry.
3. Michael A. Rossi (“Mr. Rossi”) is an individual with his primary place of business located in Richmond Heights, Ohio. Mr. Rossi holds approximately 13% of the issued

and outstanding capital stock of Londonderry.

4. Mr. Rossi had properly filed a disclaimer of control of Londonderry (“Disclaimer”), which was accepted by the Insurance Department of the Commonwealth of Pennsylvania (“Department”) on April 7, 2001.

Acquisition Filing

5. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, 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.
6. On July 25, 2011, the Department received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from Mr. Rossi for approval to acquire control of Commerce Protective.
7. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

8. On August 6, 2011, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Mr. Rossi and such notice invited interested persons to submit comments to the Department regarding the Application for seven days following the date of the publication (“Comment Period”).
9. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

10. As described in the Application, Mr. Rossi had decided to withdraw the Disclaimer.
11. As described in the Application, upon surrender of the Disclaimer Mr. Rossi would become an ultimate controlling person of Commerce Protective based upon his current holdings in Londonderry, which is approximately 13% of the issued and outstanding capital stock.
12. As described in the Application, Mr. Rossi has agreed to acquire additional Londonderry stock such that he would hold approximately 28% of the issued and outstanding capital stock of Londonderry.

13. Mr. Rossi would become an ultimate controlling person of Commerce Protective.

Standards for Review

14. 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.

Licensing Requirements

15. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the requirements for continued licensure of the domestic insurer being acquired.
16. 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).
17. 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).
18. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Commerce Protective is required to maintain a minimum paid up capital stock of \$850,000 to write the classes of insurance for which it is presently licensed.
19. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Commerce Protective is required to maintain a minimum paid in surplus of \$425,000 to write the classes of insurance for which it is presently licensed.
20. Upon completion of the transaction, Commerce Protective will have paid up capital in an amount that will satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by Commerce Protective.
21. Upon completion of the transaction, Commerce Protective will have paid in surplus in an amount that will satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by Commerce Protective.

Competitive Impact

22. The acquisition of control of Commerce Protective 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.
23. The acquisition of control of Commerce Protective will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Mr. Rossi, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Mr. Rossi

24. 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 person(s).
25. The Department has reviewed financial statements submitted by Mr. Rossi as of July 30, 2011.
26. The financial condition of Mr. Rossi will not pose any impediments to the change in control nor jeopardize the financial condition of Commerce Protective.

Plans for the Acquired Insurer

27. 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.
28. As stated in the Application, Mr. Rossi has no future plans or proposals to liquidate Commerce Protective, to sell its assets, to merge or consolidate it with any person or persons, or to make any other material change in its business operations or corporate structure.

Management

29. 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 insurer.
30. Biographical affidavit from Mr. Rossi was reviewed by the Department.

31. The Department is satisfied that the persons who would control the operations of Commerce Protective have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
32. 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 change in control of Commerce Protective.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department 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 they are 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 to policyholders of the insurers and 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; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - 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 Deputy Commissioner has not found that any of the above conditions are present with respect to the change in control of Commerce Protective.
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

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

The application of Michael A. Rossi (“Mr. Rossi”) in support of the request for approval to acquire control of Commerce Protective Insurance as set forth in the application, is hereby approved.

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

Stephen J. Johnson
Deputy Insurance Commissioner
Commonwealth of Pennsylvania