

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

In the Matter of the Proposed Exemption of )  
**Alleghany Insurance Holdings, LLC** ) Docket No. 3609-EX

**ORDER**

Now comes on for disposition the request of Alleghany Insurance Holdings LLC ("Alleghany Insurance"), dated December 7, 2006, for an Order, pursuant to K.S.A. 40-3304(e)(1), exempting Alleghany Insurance from the filing and approval requirements of K.S.A. 40-3304(a), as said statute may be construed to apply to the restructuring of the insurance holding company system of Homesite Group Incorporated ("Homesite Group"). Such restructuring is to be accomplished through a change in the ownership of Homesite Group, the entity that is the holding company for Homesite Indemnity Company ("Homesite Indemnity"), a Kansas domestic insurer.

**FINDINGS OF FACT**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-103 and K.S.A. 40-3301, *et seq.*
2. Alleghany Insurance Holdings LLC is a Delaware limited liability company formed in 1999 and a direct, wholly-owned subsidiary of Alleghany Corporation, a publicly traded corporation incorporated in the state of Delaware in 1984. Alleghany Corporation is the successor to Alleghany Corporation, a Maryland corporation formed in 1929.
3. Homesite Group Incorporated, an insurance holding company incorporated in the State of Delaware with its primary office located at 2711 Centerville Road, Suite 400, Wilmington, DE, is the holding company for Homesite Indemnity Company, a Kansas domiciled property and casualty insurance company. Homesite Group was originally incorporated in April 1997 under the name Homeowners Direct Corporation.

4. Currently, 100% of the common stock of Homesite Indemnity is owned by Homesite

Group. The common stock of Homesite Group is held by the following shareholders:

Morgan Stanley Capital Partners III, L.P.	38.75%
HDC Investors, L.P.	26.24%
The Plymouth Rock Company, Inc.	14.64%
High Point Preferred Insurance Company	6.86%
Morgan Stanley Capital Partners III 892	3.97%
JM Stone	3.76%
American Modern Insurance	2.29%
James N. Bailey	2.29%
Morgan Stanley Capital Investors, L.P.	1.09%
Fabian Fondriest	0.11%

5. Alleghany Insurance has requested an exemption from the acquisition filing and approval requirements of the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.*, specifically those requirements stated in K.S.A. 40-3304(a).

6. On or about January 17, 2005 Morgan Stanley Capital Partners III, L.P., HDC Investors, L.P., and The Plymouth Rock Company Incorporated filed formal Disclaimers of Affiliation or Control in regard to Homesite Group with the Kansas Insurance Department ("KID") for review and approval. Following a request by KID for additional information regarding the Disclaimers the parties submitted revised Disclaimers of Affiliation or Control on or about May 24, 2005. The revised Disclaimers were approved by KID on June 21, 2005.

7. Homesite Group, Alleghany Insurance, and for the purpose of joining in Section 6.2 only, but not otherwise, James M. Stone, The Plymouth Rock Company Incorporated, Morgan Stanley Capital Partners III L.P., MSCP 111 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., and HDC Investors, L.P. entered into a Stock Purchase Agreement, dated December 5, 2006, pursuant to which Homesite Group proposes to issue and sell to Alleghany Insurance an aggregate of 85,714 shares, par value \$0.01 per share, for an aggregate purchase price equal to \$119,999,600 of common stock of Homesite Group, which upon completion of the transaction would represent approximately 32.9% of the issued and outstanding shares of common stock of Homesite Group.

8. Prior to consummation of the purchase of Homesite Group's shares by Alleghany Insurance, pursuant to the terms of the December 5, 2006 Stock Purchase Agreement, James M. Stone, The Plymouth Rock Company Incorporated, Morgan Stanley Capital Partners III L.P., MSCP 111 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., and HDC Investors, L.P., identified as shareholders in the Amended and Restated Shareholders Agreement dated February 27, 2004, represent approximately 88% of the issued and outstanding shares of common stock of Homesite Group. After giving effect to the proposed purchase of Homesite Group's shares by Alleghany Insurance, such shareholders will represent approximately 59% of the issued and outstanding shares of common stock of Homesite Group.

9. After giving effect to the proposed purchase of the Homesite Group's shares by Alleghany Insurance, the shareholders and their percentage of ownership will be as follows:

Alleghany Insurance Holding LLC	32.90%
Morgan Stanley Capital Partners III, L.P.	26.00%
HDC Investors, L.P.	17.61%
The Plymouth Rock Company, Inc.	9.82%
High Point Preferred Insurance Company	4.61%
Morgan Stanley Capital Partners 111 892	2.66%
JM Stone	2.52%
American Modern Insurance	1.54%
James N. Bailey	1.54%
Morgan Stanley Capital Investors, L.P.	0.73%
Fabian Fondriest	0.08%

10. Under the terms of the Stock Purchase Agreement Alleghany Insurance will not become a party to the Shareholders Agreement nor have any of the rights and benefits, including the right to representation on the board of directors, provided by the Shareholders Agreement.

11. The Shareholders Agreement is set to expire on October 31, 2007. However, Alleghany Insurance anticipates that on or prior to such date the Shareholders Agreement will be replaced by a comparable agreement and that Alleghany Insurance will be a party to such successor agreement.

12. Both before and after Alleghany Insurance's acquisition of 32.9% of the issued and outstanding shares of common stock of Homesite Group, Homesite Group is and will continue to be the ultimate controlling person of Homesite Indemnity.

13. Alleghany Insurance acknowledges that under the terms of the Stock Purchase Agreement it will have no right to representation on the Board of Directors of Homesite Group.

14. Homesite Group represents that its Board of Directors will not offer Board representation to Alleghany Insurance until October 31, 2007 or, if earlier, the date that the existing Shareholders Agreement is amended or replaced and such amended or replacement agreement has been reviewed and approved by the Kansas Insurance Department.

#### **CONCLUSIONS OF LAW**

15. K.S.A. 40-3304(a) provides, in part, as follows:

(a) No person other than the issuer shall . . . enter into any agreement to exchange securities, or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer unless, at the time . . . any such agreement is entered into . . . such person has filed with the commissioner of insurance and has sent to such insurer, a statement containing the information required by this section and such . . . agreement . . . has been approved by the commissioner of insurance in the manner hereinafter prescribed.

16. K.S.A. 40-3304(e) provides

(e) The provisions of this section shall not apply to:

Any offer, request, invitation, agreement or acquisition which the commissioner of insurance by order shall exempt there from as: (1) Not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer, . . .

17. Based upon the information enumerated in the Findings of Fact contained in paragraphs one through 14 above, and the representations made on behalf of Alleghany Insurance Holdings LLC, the restructuring of the holding company system of Homesite Group Incorporated, through the December 5, 2006 Stock Purchase Agreement, whereby Alleghany Insurance will purchase 85,714 shares of common

stock of Homesite Group, representing 32.9% of the issued and outstanding shares of common stock of Homesite Group, is not being made for the purpose of and will not have the effect of changing or influencing the control of Homesite Indemnity, a Kansas domestic insurer.

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:**

1. Alleghany Insurance Holdings LLC shall be exempt from the acquisition filing and approval requirements of K.S.A 40-3304(a) as it may be deemed to apply to the reorganization of Homesite Group Incorporated, the holding company for Homesite Indemnity Company, provided the reorganization is effected within sixty (60) days of the date of this Order.
2. Alleghany Insurance shall comply with all the provisions and requirements of K.S.A. 40-3301, *et seq.*, in the future, and shall notify the Kansas Insurance Department of any changes of control as defined in K.S.A. 40-3301, *et seq.*.
3. Homesite Group will offer no Board of Directors representation to Alleghany Insurance until October 31, 2007 or, if earlier, the date that the existing Shareholders Agreement is amended or replaced *and* such amended or replacement agreement has been submitted to the Kansas Insurance Department for review and approval.
4. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action as necessary to dispose of this matter.

**Notice of Rights**

Alleghany Insurance Holdings, LLC is entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If Alleghany Insurance desires a hearing, it must file a written request for a hearing with:

John W. Campbell, General Counsel  
Kansas Insurance Department  
420 S.W. 9th Street  
Topeka, Kansas 66612.

This request must be filed within fifteen (15) days from the date of service of this Order. If Alleghany Insurance requests a hearing, the Kansas Insurance Department will notify it of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. § 77-613. In the event Alleghany Insurance files a petition for judicial review, pursuant to K.S.A. § 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel  
Kansas Insurance Department  
420 S.W. 9<sup>th</sup> Street  
Topeka, Kansas 66612

**IT IS SO ORDERED THIS 28<sup>TH</sup> DAY OF DECEMBER 2006 IN THE CITY OF TOPEKA,  
COUNTY OF SHAWNEE, STATE OF KANSAS.**



\_\_\_\_\_/s/ Sandy Praeger\_\_\_\_\_

Sandy Praeger  
Commissioner of Insurance  
BY:

\_\_\_\_\_/s/ Linda J. Sheppard\_\_\_\_\_

Linda J. Sheppard  
Assistant General Counsel